Translation from Bulgarian

ITF GROUP JSC
ANNUAL FINANCIAL STATEMENTS

31 December 2022

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDING ON 31 DECEMBER 2022

	Notes	2022 BGN'000	2021 BGN'000
Income from financial assets	5	10 132	6 023
Income from contracts with customers	6	519	25
Other income	7	11	20
Expenses on materials and hired services	8	(1 226)	(663)
Wages and salaries	9	(2 479)	(2 343)
Amortisation	14	(462)	(331)
Other operating expenses	10	(1 082)	(375)
Expected credit loss, net	11	(2 201)	(431)
Net effect from sale of receivables	17	(650)	(923)
Interest expenses and other financial expenses	12	(1 251)	(797)
Profit before tax		**1 311**	**205**
(Loss)/ gains from income taxes	13	30	(82)
Profit for the year		**1 170**	**235**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 170**	**235**

The Annual Financial Statements are approved by the Board of Directors and are signed on 31March 2023 by:

Svetoslav Angelov
Executive Director
Electronic signature

Zornitsa Staynova
Preparer
Electronic signature

With auditor's report
Zlatka Kapinkova
Registered Auditor, reg. No 0756
Electronic signature

The notes on page 1 to 38 are integral part of the annual financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	31 December 2022 BGN'000	31 December 2021 BGN'000
ASSETS			
Non-current assets			
Intangible assets, plant and machinery	14	1 149	1 156
Right-of-use assets	15	691	662
Deferred tax assets	16	15	39
		1 855	**1 857**
Current assets			
Receivables from granted loans	17	16 235	10 589
Related party receivables	33	145	54
Accounts receivable	18	147	256
Other current assets	19	70	38
Issued guarantees	20	108	67
Cash and cash equivalents	21	3 209	518
		19 914	**11 522**
TOTAL ASSETS		**21 769**	**13 379**

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022 (CONTINUED)

	Notes	31 December 2022 BGN'000	31 December 2021 BGN'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	22.1	3 500	1 800
Reserves	22.2	**2 490**	180
Retained earnings	22.3	**2 170**	1 000
TOTAL EQUITY		**8 160**	**2 980**
LIABILITIES			
Non-current liabilities			
Bond issue payables	23	2 952	3 940
Long-term related parties loans	33	-	296
Non-current lease liabilities	24	488	492
Non-current payables for borrowings	26	2 212	1 623
		5 652	**6 351**
Current liabilities			
Bond issue payables	23	1 050	1 063
Related party payables	33	52	94
Current lease liabilities	24	267	181
Trade payable	26	78	125
Tax payables	27	69	-
Employee benefits and payables to social security institutions	29	278	270
Payables for continuing interest in financial assets	29	5 341	847
Short-term borrowings payables	30	738	1 438
Other payables	31	84	35
		7 957	**4 048**
TOTAL LIABILITIES		**13 609**	**10 399**
TOTAL EQUITY AND LIABILITIES		**21 769**	**13 379**

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STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2022

	Notes	2022 BGN'000	2021 BGN'000
Cash flows from operating activity			
Cash proceeds from grantedloans		22 844	14 838
Payments to borrowers		(20 798)	(11 862)
Cash proceeds from other sales		35	4
Payments to suppliers and proceeds from other customers, net		(1 676)	(1 184)
Payments to employees and social security institutions		(2 590)	(2 301)
Tax payments (net of income tax)		(160)	(24)
Paid corporate tax		(48)	(4)
Other proceeds/ (payments), net		(236)	(178)
Net cash flows used in operating activity		**(2 629)**	**(711)**
Cash flows from investing activity		(27)	(191)
Net cash flows from investing activity		**(27)**	**(191)**
Cash flows from financing activity			
Cash flows from issue of share capital		4 010	
Cash flows from received loans		7 531	2 280
Cash flows from paid loans		(5 134)	(410)
Cash flows from interest payments		(743)	(579)
Lease payments		(317)	(165)
Net cash flows from financing activity		**5 347**	**1 126**
Net increase of cash and cash equivalents		**2 691**	**224**
Cash and cash equivalents on 1 January	21	**518**	**294**
Cash and cash equivalents on 31 December	21	**3 209**	**518**

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STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2022

	Share capital BGN'000	Statutory reserves BGN'000	Retained earnings BGN'000	Total BGN'000
Balance on 1 January 2021	**1 800**	**180**	**765**	**2 745**
Changes in equity for 2021				
Total income for the year			235	235
Balance on 31 December 2021	**1 800**	**180**	**1 000**	**2 980**
Changes in equity for 2022:				
Changes related to share capital increase	1 700	2 310		4 010
Allotment for statutory reserves				
Profit for the year	-	-	1 170	1 170
Total changes for 2022	**1 700**	**2 310**	**1 170**	**5 180**
Balance on 31 December 2022	**3 500**	**2 490**	**2 170**	**8 160**

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NOTES TO THE FINANCIAL STATEMENTS

1. DETAILS ON THE COMPANY

ITF GROUP JSC is a company established in 2012. The company's seat and registered address is in Sofia 1407, Lozenets region, 16 Srebarna St, Park Lane Office Building. The company is registered in the Commercial Register with UIC 202255877 and in the Bulgarian National Bank (BNB) register of non-banking financial institutions in accordance with the Credit Institutions Act.
The last change for the company has been recorded in the Registry Agency on 19 December 2022. The change refers to the entry of the increased amount of equity.

1.1. __Scope of business__

ITF Group JSC is a financial institution in accordance with art. 3, para 2 of the Credit Institutions Act (published in the State Gazette, issue 59 from 21 July 2006 with its subsequent amendments). The company is entered under number BGR 000298 in the Bulgarian National Bank register. The company's main scope of business is the granting of loans with funds not raised through public raising of deposits or other refundable money.

A bond issue of the Company in November 2019 is registered on the Bulgarian Stock Exchange with ISIN code BG2100017198. LEI: 254900SP9M660ZUP0O21.

A share issue of the Company during the report period is registered on the Bulgarian Stock Exchange, growth segment MSP BEAM with ISIN code BG1200008229.

1.2. __Ownership and management__

Shareholders in ITF Group JSC as of 31st December 2022 are:

- Abi Capital PLTD – 3 098 275 shares - 89 per cent;
- Other non-related companies – 230 848 shares - 6 per cent;
- Natural persons – 170 877 shares - 5 per cent.

By virtue of Resolution of the General Meeting of Shareholders of 30 September 2020, 200 000 materialised, preferred, registered non-voting shares (Shares of class B) of ITF Group JSC were converted into ordinary, materialized, registered voting shares. The capital of the Company is BGN 1 800 000 (one million and eight hundred thousand Bulgarian levs) and is divided into 1 800 000 (one million and eight hundred thousand) shares with nominal value of BGN 1 (one Bulgarian lev) each, and all 1 800 000 (one million and eight hundred thousand) shares are ordinary, materialized, registered voting shares. With view of the resolution adopted by the General Meeting of Shareholders of 30 September 2020, the Articles of Association of the Company were amended.

A General Meeting of Shareholders was held on 3rd October 2022 and took the following decisions:

- to change the type of shares from ordinary, materialized, registered shares to ordinary dematerialized registered shares;
- to allow the company's shares to be traded on the BEAM market for small and middle sized entities– a multilateral trading system organised by the Bulgarian Stock Exchange;
- to empower the Board of Directors to take the decision to increase the company's capital within the framework provided in art. 8q para 5 of the Company's statute.

A contract for the sale of company shares was entered into on 4th October 2022 by the main shareholders, as a result of which Abbey Capital PLTD became the sole owner of the capital. Mr. Filip Dobrinov was dismissed as a CEO of the company with an entry in the Commercial Register on 26th October 2022.

A decision to increase the company capital by BGN 1 000 000 by issuing 1 000 000 ordinary dematerialized registered voting shares with a nominal emission value of BGN 1 each was taken by the Board of Directors on 24th October 2022. The change in subscribed capital was reflected in the Commercial register on 1st

November 2022 with the new amount being BGN 2 800 000. The increase of BGN 1 000 000 was subscribed by Abbey Capital PLTD.

On 7th November 2022 the sole owner of ITF Group's capital took the decision to increase the capital by initial public offering on the growth market BEAM at the Bulgarian Stock Exchange by up to 700 000 new dematerialized registered shares with a nominal value of BGN 1 and an emission value of BGN 4.30. After the successful placement of the emission of 700 000 shares the amount of the company's capital increased from BGN 2 800 000 to BGN 3 500 000, consisting of 3 500 000 dematerialized registered voting shares. The change in the company's capital appeared in the Commercial Register of the Registry Agency on 19th December 2022.

The Governing Committee of BEAM has decided to allow the shares issued by ITF Group JSC to be traded on BEAM, ISIN code BG1100022224. The permanent emission has the stock exchange code ITF and is introduced for trading on 4th January 2023.

The Company has a one-tier management system.
The Board of Directors at the end of the report period consists of:

- Svetoslav Yuriy Angelov – Executive Director and member of the Board of Directors;
- Yuriy Angelov Angelov – Chairperson of the Board of Directors;
- Donka Ivanova Angelova – member of the Board of Directors.

The company is represented by Svetoslav Yuriy Angelov.

An Audit Committee was appointed during the regular annual General Meeting of Shareholders held on 30 September 2020 with the following members:

- Violeta Vasileva
- Anna Ivanova
- Daniela Mihaylova

The Audit Committee supports the work of the BoD and is responsible for the governance of the company. Its members monitor and supervise the Company's internal control, risk management and financial reporting system.

As at 31 December 2022, the company has 55 employees under employment contract (2021: 55 employees).

The beneficial owner of the Company is Abbey Capital PLTD, the equity instruments of which are not traded on the market. Abbey Capital PLTD prepares consolidated financial statements which are published in the Commercial Register at the Registry Agency.

1.3. <u>Key indicators of the economic environment</u>

The key indicators of the economic environment that influence the company's business for the period 2020 - 2022 are summarised in the following table:

Indicator	**2022**	**2021**	**2020**
GDP, BGN million	165 384	132 744	118 605
Actual GDP growth	3.4%	4.2%	4.39%
Inflation at the end of the year	16,9%	7,8%	1,7%

source: National Institute of Statistics

2. SIGNIFICANT ACCOUNTING POLICIES

<u>Basis for preparation of the financial statements</u>

The Company's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) developed and issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (IFRS endorsed by the EU). Within the meaning of paragraph 1, item 8 of the Supplementary Provisions of the Accounting Act applicable in Bulgaria, the term "IFRS endorsed by the EU" means the International Accounting Standards (IAS) adopted in accordance with Regulation (EU) 1606/2002 of the European Parliament and of the Council.

The financial statements are prepared in Bulgarian levs (BGN), which is the functional currency of the Company. All amounts are presented in thousand Bulgarian levs (BGN'000) (including the comparative information for 2020), unless stated otherwise.

The management is responsible for the preparation and fair presentation of the information in these financial statements.

Going concern

The financial statements are prepared in accordance with the going concern principle taking into account the possible effects of the continued impact of the Covid-19 pandemic and the military actions in Ukraine, as well as environmental concerns.

Continued impact of Covid-19

Although the previous reporting periods have been strongly affected by the economic changes and processes due to the global Covid-19 coronavirus pandemic, the Fintech sector is among those that managed to recover from the initial stagnation quickly.

ITF Group JSC started 2022 with the strategy to expand the business, increase the volume of placed loans and strengthen its position on the Fintech market. Despite the fact that 2022 was a very challenging year because of the post-Covid effects, high inflation and the military conflict on Ukrainian territory, the Fintech sector as a whole and ITF Group in particular have developed successfully.

As early as the first couple of months the company almost doubled its granting of loans compared to the previous period.

Our work on digitalisation and automation decreased significantly the period from the moment of registering the initial loan application of the client to the arrival of money in his/her account.

Last, but not least important, our products were adapted to more fully meet the client needs. The maximum loan amount was increased, the repayment period was lengthened and thus the company could now target small business clients.

Our expertise in offering innovative financial services which are based on processing and analysing an extensive database serves as the basis on which we support our current service level and build its future development.

A short review of the previous periods and the economic events associated with them

In 2019 ITF Group JSC successfully realised an issue of corporate bonds which gave it the opportunity for an increased market share in the consumer loans segment.

The Company started 2020 at high rate with a designed growth program. Due to the Covid-19 coronavirus pandemic the Company has adapted its development program. The good liquidity positions allowed it to apply a new risk policy that is adequate to the economic situation in order to keep the good turnovers in crediting, despite the temporary decrease in the collectability of receivables and the lost profits due to additional charges for delay, which were part of the governmental measures imposed to limit the negative consequences for the population.

The overall policy of the management and the cash flow control enabled ITF Group JSC to start recovering its business turnovers quickly, even in mid-2020.

The effects of the pandemic could still be felt in 2021. Despite the increased demand for remote financial services, both the business and consumers adapted their behaviour due to the existing uncertainties in the economic expectations.

The Company used 2021 strategically to improve the service and product quality and to maintain its customer base.

The company's revenue for the previous three years is as follows:

BGN'000	**2022**	**2021**	**2020**
Revenue	10 662	6 068	6 493

Currently, the global pandemic of the new coronavirus Covid-19 is still spreading across almost all regions worldwide. Despite the trend of limited spread, the pandemic may still have a significant adverse effect on the Company's business. The consequences for the Company would comprise the customers' inability to repay their loans in a timely manner and/or in full.

Irrespective of the above and the possible impact on the sector and business in general, and the subsequent worsening of the pandemic situation, the Company is ready and able to undertake immediate measures to mitigate any possible adverse consequences.
ITF Group AD is able to quickly adapt to working under new, mainly virtual, conditions.

The conflict between Russia and the Ukraine

The conflict between Russia and the Ukraine had a significant impact on the world economy in numerous ways connected mainly to energy resource prices. The higher prices and inflation could have an extensive influence on the economy as a whole in terms of business models, the delivery chain, legal and contractual issues, employees, consumers and the working capital of various businesses. During the accounting period the conflict between Russia and the Ukraine had no significant effect on ITF Group's activities.

As at the date of preparation of these financial statements, the management has assessed the company's ability to continue operating as going concern on the basis of the information available for the foreseeable future. Based on the company's business review, the management expects that the company has sufficient assets, financial resources and abilities available to continue its operations in the near future and shall apply the going concern principle to the preparation of the annual financial statements.

Climate related topics

ITF Group JSC aims to generate long-term value by encouraging responsible financial behavior and practices. The company actively monitors the public impact of its business operations and the interests and expectations of stakeholders, both clients and investors.
ITF Group is aware of the impact of its activities and of its responsibilities to clients, regulatory bodies, shareholders, employees, business partners and communities. The company operates and is guided by sustainability principles such as:

- High standards in complying with legal, ethical and economic principles;
- Defining social and ecological perspectives. ITF aims to balance economic success with ecological and social responsibility;
- Responsible lending forms the foundation of the company's business model;
- ITF Group is transparent to direct and indirect effects on the environment, society and the economic sector within which it operates;
- Continued efforts on keeping high ecological standards in all company offices.

Just as in 2021, up to 31st December 2022 the Company has not identified significant risks caused by climate changes which could have a negative impact on the company's financial statements. The management continually monitors the influence of issues connected to the climate.
More information on continuity and climate issues could be found in point 6 of the Annual report on the company's activities.

Future development

The company continues focusing mainly on the development of the online business model.

The sales network of GetCash has a stable position on the market and is expected to upkeep a good tempo of operating activities.

In 2023 the Company envisions to continue the growth and development of its market share in Bulgaria through the brand Smile Credit. This process started in 2022.

The priorities in the company's strategy are as follows: digitalisation and innovations, products and client experience, attracting additional finances for growth, improving the financial and business indicators.

More information on the future development of the company could be found in point 6 of the Annual report on the company's activities.

3. CHANGES IN THE ACCOUNTING POLICY

3.1. New standards effective since 1 January 2022

The Company has adopted the following new standards, amendments and interpretations of IFRS issued by the International Accounting Standards Board and endorsed by EU, which are appropriate and effective for the financial statements of the Group for the annual period beginning on 1 January 2022, but do not have significant impact on the Company's financial performance or positions:

- Amendments to IFRS 3 Business Combinations, IAC 16 Property, Plant and Equipment Provisions, Contingent Liabilities and Contingent Assets effective from 1 January 2022 adopted by the EU
- Annual improvements 2018-2020 effective since 1st January 2022 adopted by the EU.

3.2. Standards, amendments and interpretations that are not yet in force and are not applied by the Company from earlier date

As at the date of approval of these financial statements, new standards, amendments and interpretations to already existing standards have been published but are not yet enforced or endorsed by the EU for the financial year beginning on 1 January 2022, and have not been applied by the company earlier. They are not expected to have significant effect on the company's financial statements. The management expects all standards and amendments to be adopted in the company's accounting policy during the first period beginning after the date of their enforcement. A list of amended standards is provided herein below:

- Amendments to IFRS 17 Insurance Contracts, effective from 1 January 2023, endorsed by the EU;
- Amendments to IAS 1 Presentation of Financial Statements, IFRS Statements for Annex 2: Disclosure of Accounting Policies, effective from 1 January 2023, endorsed by the EU;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, effective from 1 January 2023, endorsed by the EU;
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective from 1 January 2023, endorsed by the EU;
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information, effective from 1 January 2023, endorsed by the EU;
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as current and non-current, effective not earlier than 1st January 2024, not yet endorsed by the EU;
- Amendments to IFRS 16 Leases Leasing obligations in case of sale or reversed leasing, effective not earlier than 1st January 2024, not yet endorsed by the EU;
- Amendments to IFRS 14 Regulatory Deferral Accounts, effective from 1 January 2016, not yet endorsed by the EU.

4. ACCOUNTING POLICY

4.1. General provisions

The most significant accounting policies applied for the preparation of these financial statements are summarised below.

The financial statements are prepared in accordance with the principles of assessment of all types of assets, liabilities, revenue and expenses in accordance with IFRS. Valuation bases are disclosed in details in the next sections of the accounting policy to the financial statements.

It should be noted that accounting estimates and assumptions have been used for the preparation of these financial statements. Although they are based on the information available to the management as at the date of preparation of the financial statements, the actual results might differ from the estimates and assumptions made.

4.2. Presentation of the financial statements

The financial statements are presented in accordance with IAS 1 Presentation of Financial Statements. The Company presents the statement of profit or loss and other comprehensive income in one statement.

Comparative data

Two comparative periods are presented in the statement of financial position. Where the Company applies the accounting policy retrospectively, it either translates the items in the financial statements retrospectively, or reclassifies items in the financial statements, which materially affects the data in the statement of financial position at the beginning of the previous period.
Whenever necessary, comparative data are reclassified to achieve comparability with any changes in the presentation for the current year.

Foreign exchange differences

Upon initial recognition, any foreign currency transaction is stated directly in the reporting currency, as far as the two currencies have an exchange rate fixed by law, by applying the BGN exchange rate to the foreign currency amount applicable as at the time of transaction or operation. Cash, receivables and payables, as monetary reporting items denominated in foreign currency are stated in the reporting currency by applying the exchange rate published by the Bulgarian National Bank (BNB) for the last business day of the respective month. As at 31 December, they are measured and stated in Bulgarian levs by applying the BNB's final exchange rate.

Non-monetary reporting items in the statement of financial position that are initially denominated in foreign currency are stated in the functional currency by applying the historic exchange rate as at the date of the operation, and are not subsequently revaluated at final exchange rate.

Effects of foreign exchange differences related to settlement of foreign currency transactions or reporting of foreign currency transactions at exchange rates other than those at which they have been initially recognised, are stated in the statement of comprehensive income (in profit or loss for the year) as at the time of their occurrence.

4.3. Income from contracts with customers

The Company's major revenue is related to operations with financial assets. The revenue is measured at fair value of received or receivable consideration.

Revenue generated by the company, other than that from financial instrument trading, is determined in accordance with the requirements of IFRS 15.
In order to determine whether and how to recognise revenue, the company uses the following 5 steps:
1. identification of the contract with a customer;
2. identification of the performance obligation in the contract;
3. determination of the transaction price;

4. allocation of the transaction price to the performance obligations;
5. recognition of revenue when the performance obligations are satisfied.

Revenue is recognised either at a point in time, or over time, when or until the company satisfies the performance obligations by transferring the promised goods or services to its customers.

The company recognises as contractual liabilities any consideration received with regard to unsatisfied performance obligations and presents them as other liabilities in the statement of financial position. Analogically, if the company satisfies any performance obligation before receiving the consideration, in the statement of financial position it recognises either a contractual asset, or receivable, depending on whether the receipt of such consideration requires otherwise than specific time.

4.3.1. Revenue recognised at a point of time

For separate sales of software that are neither customised by the Company, nor subject to significant integration services, the control transfers at the time in which the customer indisputably accepts the delivery of goods.

For sales of software that are neither customised by the Company, nor subject to significant integration services, the license term begins as at the time of delivery.

The Company states income from granting right of use of a software license (for indefinite time and a lump-sum payment) and upon recording it, it only identifies a performance obligation for delivery of a software license.

The Company reviews the nature of its promise to transfer the software license in accordance with paragraph B58 of IFRS 15. With the single transfer of software licenses, the company is not committed to provide support or updates. The contractual relations do not give raise to additional contractual or implicit obligations for the Company, as well as obligations to perform actions that change the functionality of the software with regard to the granted license. The transferred software license (the use of the software) remains functional, without updates and technical support, other than reference hardware service of workstations, and therefore the customer's ability to obtain the benefits of the software in substance neither originates from, nor depends on the Company's continuing activities. To this end, the company determines that the contracts for sale of software neither require, nor the customer reasonably expects, the Company to carry out activities that have significant influence on the software.

4.3.2. Income from interests, default charges, charges

Income from interests, default charges and charges are stated in the statement of comprehensive income (in profit or loss for the year) upon their occurrence.
Income from interests is stated on ongoing basis with the effective interest rate method.
Income from default charges occurs in case of customer's breach of the terms and conditions of the loan agreement signed thereby in relation to the provision of collateral.

Income from charges comprises additional charges for out-of-court collection, charges connected to credit risk assessment and optional charges for services of the client's choice, which are not obligatory. The charges connected to risk assessment are part of APR.

4.4. Operating expenses

Operating expenses are recognised in the profit or loss at the time of the use of the services or on the date of incurrence thereof.

The following operating expenses are always stated as current expenses at the time of incurrence thereof:

- General and administrative expense (unless covered by the customer);
- Expenses for waste inventories;
- Expenses related to the fulfilment of the obligation;

- Expenses for which the company is not able to determine whether they are related to satisfied or unsatisfied performance obligation.

4.5. Interest expenses and other financial expenses

Interest expenses are stated on an ongoing basis using the effective interest rate method.

Borrowing expenses mainly comprise the Company's interests for borrowings. Interest expenses should be recognised as an expense for the period of incurrence thereof in the statement of comprehensive income on line "Interest expenses and other financial expenses" and consist of interests for borrowings and interests for bond issue. Financial expenses are stated in the statement of comprehensive income (in the profit or loss for the year) upon their occurrence and comprise: interest expenses, including bank charges and other direct costs for loans and bank guarantees, foreign exchange rate differences from foreign currency loans (net).

4.6. Plant and Equipment

All items of plant and machinery are stated at acquisition cost, less accumulated amortisation and impairment losses. The acquisition cost comprises expenses that meet the criteria for recognition of fixed tangible assets and directly refer to the acquisition of the asset.
Subsequent expenses are added to the carrying amount of the asset or are stated as a separate asset in case the Company expects to obtain future economic benefits related to the use of such asset and its book value may be reliably determined. The carrying amount of any replaced part is derecognised. All other expenses on maintenance and repair are recognised in the profit or loss for the period in which they have been incurred. The material threshold is BGN 700.

Amortisation of plant and equipment is charged on the basis of the straight-linear method for the purposes of distributing the difference between the carrying amount and the residual value over the expected useful life of the assets as follows:

Office equipment	7 years;
Machinery and equipment	3 years;
Vehicles	5 years;
Computer equipment	2 years;

The residual value and useful life of assets is subject to review, and whenever necessary, the respective adjustments are made as at each date of preparation of the respective financial statements.

The carrying amount of the asset decreases to its recoverable amount where the carrying amount of the asset is higher than its expected recoverable amount. Gains and losses from decommissioned assets are determined by comparing the price received and their carrying amount in other losses/ gains – net, in the income statement.

4.7. Intangible assets

Intangible assets are measured at acquisition cost. After initial recognition, intangible assets are stated at acquisition cost less charged amortisation and impairment losses.

The useful life of intangible assets is determined as finite.
Intangible assets with finite useful life are amortised during their useful life and are tested for impairment whenever there are indications that their value is impaired. At least at the end of each financial year, the useful life of and the amortisation methods applied to any intangible asset with finite useful life is subject to review. Changes in expected useful life or consumption model of future economic benefits of intangible assets are stated through change of the amortisation period or method and are treated as change in accounting estimates. Expenses for amortisation of intangible assets with finite useful life are classified by function in the income statement, depending on the use of the intangible asset.

Reference software	7 years;
Self-developed fixed intangible assets	from 6 to 10 years

Research and development expenses for an intracompany project are recognised as cost at the time of incurrence.

Expenses that may be directly referred to the development phase of an intangible asset are capitalised if they meet the following criteria:

- The finalisation of the intangible asset is technically feasible so that it will become available for use or sale;
- The company intends to finalise the intangible asset and to use and/or sell it;
- The company is able to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Furthermore, there is a market for the production of the intangible asset or for the intangible asset itself, or if used in the Company's business, it would generate economic benefits;
- Adequate technical, financial and other resources are available for the completion of the research and development, and for the use or sale of the intangible asset;
- The intangible asset-related expenses during the phase of its development can be reliably measured.

The development expenses of intangible assets that do not meet the above capitalisation criteria are recognised at the time of incurrence.

Expenses that are directly related to the development phase of the intangible asset comprise costs for remuneration of specialists and hired services directly related to the creation of the respective intangible assets. Internally developed software products recognised as intangible assets are subsequently measured in the way of purchased intangible assets. Before the completion of the development project, the assets are tested for impairment.

Gains or losses generated upon derecognition of an intangible asset, being the difference between the net proceeds from the sale, if any, and the carrying amount of the asset, are stated in the income statement upon derecognition of the asset.

4.8. Lease

4.8.1. The Company as a lessee

For any new concluded contract, the Company judges whether a contract is or contains a lease. Lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". In order to apply this definition, the company makes three major estimates:

- whether the contract contains an identified asset that is explicitly stated in the contract or is implicitly stated as at the time of conveying the asset for use;
- the company is entitled to obtain substantially all economic benefits of the use of the asset during the whole period of use, within the specific scope of its right to use the asset in accordance with the contract;
- the company has the right to direct the use of the identified asset during the whole period of use.

The company assesses whether it has the right to direct "how and for what purpose" the asset will be used during the whole period of use.

Measurement and recognition of lease by the Company as a lessee

On the initial date of the lease contract, the Company recognises the right-of-use asset and the liability under the lease in the statement of financial position. The right-of-use asset is measured at acquisition cost that comprises the amount of initial measurement of the lease liability, the initial direct expenses incurred by the Company, an estimate of expenses that the lessee will incur for dismantling and removal of the underlying asset at the end of the lease contract, and any lease payments made before the commencement date of the lease contract (less lease incentives).

The Company amortises the right-of-use asset by the straight-linear method from the commencement date of the lease until the earlier of the end of the right-of-use asset's useful life, or the expiration of the term of the lease contract. Furthermore, the company reviews right-of-use assets for impairment where such indications exist.

On the commencement date of the lease contract, the Company measures the lease liability at present value of the lease payments that are outstanding as at such date discounted with the interest rate set out in the lease contract, if such rate is directly identifiable, or with the company's differential interest rate.
In order to determine the differential interest rate for leased offices, the company:

- To determine the incremental borrowing rate, the Company the company has used a methodology for determining the synthetic rate of a company based on the methods of established names in the valuation theory. The establishments of a certain synthetic ration as done based on ICR ratio, which is a main indicator for the most credit agencies. For the purposes of the assessment, the yield of Bulgarian long-term ten-year government securities is used as a market interest rate. The rate calculated as at the date of the financial statements is 6% (2020: 6%)

In order to determine the differential interest rate for leased vehicles, the company uses:

- the differential interest rate of the lessor applicable to similar assets. The rate used is in the amount of 3%.

Lease payments included in the measurement of the lease liability comprise fixed payments (including substantially fixed ones), variable payments based on index or rate, amounts that are expected to be payable by the lessee under the guarantees for residual value, and payments resulting from options, if it's certain enough that the company would exercise such options. Case-by-case approach is applied on the basis of concluded contracts.

After the initial date, the lease liability is decreased by the amount of settled payments and increased by the interest amount. The lease liability is revaluated to take into account the revaluations or amendments to the lease contract, or to reflect the adjusted substantially fixed lease payments.

In case the lease liability is revaluated, the respective adjustment is reflected in the right-of-use asset or is recognised in profit or loss, if the right-of-use asset's carrying amount has been decreased to zero.
The Company has chosen to state short-term lease contracts and the lease of assets of low value by using practical exemptions as set out in the standard. Instead of recognition of right-of-use assets and liabilities under lease contracts, the related payments are stated as expense in profit or loss by the straight-linear method during the lease term.
In the statement of financial position right-of-use assets are stated on a separate line, depending on their term, and the lease liabilities are included in non-current and current lease liabilities and lease agreements.

Options for renewal and termination are included in a number of property leases of the company. They are used to increase the operational flexibility with regard to the management of assets used in the company's operations. The options for renewal and termination available are taken into account for every contract.

A lease contract is classified as a finance lease contract if it transfers substantially all risks and benefits of the ownership of the underlying asset, and as an operating lease contract if it does not transfer substantially all risks and benefits of the ownership of the underlying asset.

Rent concessions under leases

As a lessee, the Company has applied the amendment to IFRS 16 to lease contracts under which Covid-19-related rent concessions exist. The Company applies the practical expedient allowing it not to assess whether particular rent concessions under leases occurring as direct consequence of the Covid-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances.

4.8.2. The Company as a lessor

As a lessor, the Company classifies its lease contracts as operating or finance lease.

A lease contract is classified as a finance lease contract if it transfers substantially all risks and benefits of the ownership of the underlying asset, and as an operating lease contract if it does not transfer substantially all risks and benefits of the ownership of the underlying asset.

Assets under operating lease contracts are stated in the Company's statement of financial position and are amortised in accordance with the amortisation policy adopted in terms of similar assets of the Company and with the requirements of IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets. Rent income is recognised on a straight-linear basis for the term of validity of the lease contract.

Assets under finance lease contracts are stated in the Company's statement of financial position as a receivable equal to the net investment in the lease contract. The income from sale of assets is stated in the statement of comprehensive income for the respective period. The recognition of financial revenue is based on a model that reflects a permanent periodic rate of return on the residual net investment.

During the two stated periods, the Company is not a party to lease contracts as a lessor.

4.9. Test for impairment of intangible assets, plant and equipment

When calculating the amount of impairment, the Company defines the smallest identifiable group of assets for which separate cash flows may be defined (cash flow generating unit). Therefore, some of the assets are subject to impairment test on individual basis, and others – on the basis of cash flow generating unit.

All assets and cash flow generating units are subject to impairment test at least once a year. All other individual assets or cash flow generating units are tested for impairment whenever any events or changed circumstances indicate that their carrying amount may not be recovered.

An amount with which the carrying amount of an asset or a cash flow generating unit exceeds their recoverable amount, being the higher between the fair value less the asset's sales costs, and its value in use, is recognised as an impairment loss. In order to measure the value in use, the management of the Company calculates the expected future cash flows for each cash flow generating unit and determines the appropriate discount rate in order to calculate the present value of these cash flows. The data used for the impairment test are based on the last approved budget of the Company adjusted, if necessary, for the purposes of eliminating the effect of future reorganisations and significant improvements of assets. The discount rates are determined for each cash flow generating unit and reflect its risk profile assessed by the management of the Company. At management's discretion, the valuation of internally acquired intangible assets is assigned to a properly qualified licensed valuer.

Impairment losses of a cash flow generating unit are stated as a decrease of the carrying amount of assets within such unit. In terms of all assets of the Company, the management subsequently estimates whether indications exist that the impairment loss recognised during previous years does not yet exist or has decreased. Impairment recognised in the previous period is recovered if the recoverable value of the cash flow generating unit exceeds its carrying amount.

4.10. Financial instruments

4.10.1. Recognition, measurement and derecognition

The Company recognises financial asset or financial liability in its financial statements only when it becomes a party to the contractual covenants of the respective financial instrument.

Upon initial recognition, the company measures financial assets (other than accounts receivable that do not have material funding component determined in accordance with IFRS 15) and financial liabilities at their fair value.

Upon initial recognition, the fair value of a financial asset/ liability is usually the contractual price. The contractual price of financial assets/ liabilities, other than financial assets measured at fair value through profit or loss, comprises transaction costs directly related to the acquisition/issuing of the financial instrument. Transaction costs incurred upon acquisition of financial asset and issuing of financial liability measured at fair value through profit or loss are immediately stated as an expense.

If upon initial recognition the fair value differs from the transaction price, the company accounts for this instrument as at such date in the following way:
a) at fair value based on a proven quoted price on an active market of an identical asset or liability (i.e. level 1 input), or based on an evaluation technique that uses data from observable markets only. The company recognises the difference between the fair value at initial recognition and the transaction price as profit or loss;
b) in all other cases – at fair value adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the company recognises such deferred difference as profit or loss only to the extent it has resulted from the change of a given factor (including time) that market participants would take into account when determining the price of the asset or liability.

Upon initial recognition, the company measures account receivables that do not have a material funding component (determined in accordance with IFRS 15) at their respective transaction price (as set out in IFRS 15).

The purchase or sale of financial assets is recognised by using transaction date-based accounting – the date on which the company has made a commitment to purchase the respective financial assets.

Financial assets are derecognised from the company's statement of financial position when the rights to obtain cash from such assets have expired, or have been transferred, and the company has transferred the material portion of the risks and benefits from the ownership of the asset to another company (person). In case the company continues holding a material part of the risks and benefits associated to the ownership of a transferred financial asset, it continues recognising the asset in its statement of financial position, however it further recognises a secured obligation (loan) for the received funds.

Upon derecognition of a financial asset as a whole, the difference between the carrying amount as at the date of derecognition and the received consideration is recognised in profit or loss.

A financial instrument (asset or liability) is derecognised on the date at which the Company does not anymore control the contractual rights and has substantially transferred the risks from the ownership of the asset. This happens when the rights have been realised, their validity has expired or they have been redeemed.

4.10.2. Classification and subsequent measurement

Financial assets

Financial assets are classified on the date of their initial recognition in the statement of financial position. Depending on the method of subsequent reporting, financial assets are classified in one of the following categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through profit or loss;
- financial assets measured at fair value through other comprehensive income, with or without reclassification in profit or loss, depending on whether these are debt or equity instruments.

The company classifies financial assets as subsequently measured at amortised cost in accordance with the following two conditions:
a) the business model for the company's financial asset management; and
b) the features of contractual cash flows of the financial asset.

Financial assets measured at amortised cost

This category comprises receivables from granted loans, cash and other debt instruments that meet the following two conditions:

a) the financial asset is held within a business model the objective of which is to hold assets in order to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The category consists of non-derivative financial assets that are not quoted on an active market. After initial recognition, they are measured at amortised cost by using the effective interest method. No discount is made when its effect is minor.

The amortised cost of a financial asset or liability is the value at which the asset or liability has been measured upon its initial recognition, less any principal payments settled, plus or less the cumulative amortisation of all differences between the value at initial recognition and the value payable on the maturity date, calculated by applying the effective interest method, and less any adjustment arising from expected credit losses or impairments.

- Accounts receivables

Accounts receivable comprise amounts payable by customers under service contracts incurred in the usual course of business. Usually they should be settled short-term and are classified as current. Accounts receivable are initially recognised in the amount of unconditional consideration, unless they comprise material funding components. The company holds its accounts receivable for the purposes of collecting contractual cash flows and therefore measures them at amortised cost by using the effective interest method. No discount is made when its effect is minor.

4.10.3. Expected credit losses

On each reporting date, the company measures and determines the expected credit losses for each type of financial asset or exposure. The adopted impairment approaches aim to recognise expected credit losses for the entire term of all financial instruments whose credit risk has significantly increased after the initial recognition – whether measured individually or collectively, by taking into account the entire reasonable and substantiated information, including for future periods. During the review, the company takes into account the change in the risk of occurrence of default during the expected term of the financial instrument, and not the change in the amount of expected credit losses. For the purposes of such review, the company compares the risk of occurrence of default with regard to the financial instrument as at the reporting date and on the date of initial recognition.

When applying this future oriented approach, we differentiate between:

- Financial instruments whose credit quality has not deteriorated significantly in comparison to the initial recognition or those of low credit risk (Stage 1), and
- Financial instruments whose credit quality has deteriorated significantly in comparison to the time of initial recognition, or which are not of low credit risk (Stage 2)
- "Stage 3" comprises financial assets for which objective evidence for impairment as at the reporting date exists.

12-month expected credit losses are recognised for the first category, while expected losses for the full lifetime of financial instruments are recognised for the second category. The expected credit losses are determined as the difference between all contractual cash flows payable to the company and the cash flows that it actually expects to receive ("cash deficiency"). This difference is discounted by the initial effective interest rate (or by the effective interest rate adjusted towards the loan).

For the purposes of implementing the requirements for application of the expected credit loss model of financial assets in accordance with IFRS 9, a policy for application of IFRS 9 is implemented. The policy sets out the framework for determining:

- 12-month expected credit losses or full lifetime expected credit losses of the instrument
- Expected credit losses (ECL) are recognised on the probability of default during the instrument's full lifetime, unless the credit risk has changed significantly after the initial recognition, in which case 12-month expected credit losses are reported. 12-month expected

credit losses are that portion of the credit losses for the instrument's full lifetime as a result of default, which could occur within 12 months after the reporting date.

4.10.3.1. Approach and models for impairment of financial assets – on collective and individual basis

The parameters affecting the amount of expected credit losses (ECL) are determined collectively, depending on the type and nature of the financial instruments under review. Expected credit losses for loans grouped in common product feature-based portfolios are reviewed collectively. The collective approach applies to exposures with risk classification in stage 1, 2 and 3.

4.10.3.2. Criteria for assessment of increased credit risk

For the purposes of determining the expected credit loss allowance, the company compares the credit risk levels, i.e. the probability of occurrence of default as at the reporting date and as at the date of initial recognition of the asset. In the cases of credit commitments, the review refers to the probability of occurrence of default under the loan they refer to, and in the cases of financial guarantees, to the probability for the guarantee debtor to become in default under the contract. The changes are analysed on the basis of the available appropriate information that is accessible to the Company and that can be justified without excessive resources and efforts. This information consists of:

- Historic data for presentation of specific financial instruments or other financial instruments with similar risk features;
- Data for the current performance of the instruments under review – allowed number of days in arrears;
- Reasonable suggestions and expectations that are likely to affect the credit risk of the assets under review in the future;
- The respective risk classification, depending on the credit quality of financial assets.

The analysis of changes in the credit quality of financial assets in comparison to their initial recognition, determines their risk classification in three major stages, as well as the subsequent recognition of impairment:

- Stage 1 (regular exposures) – financial assets without indications for an increase of the credit risk in comparison to the initial measurement are classified here. The company recognises 12-month ECL for financial assets classified at Stage 1. Interest income is recognised in accordance with the effective interest method over the gross carrying amount of the instrument.
- Stage 2 (exposures with damaged service) – financial assets with a significant increase of the credit risk but without objective evidence for impairment/reasons for suffering losses (the exposure is not in default) are classified here. The company recognises full lifetime ECL of the instrument in the classification at Stage 2. Interest rate is recognised by the effective interest method over the gross carrying amount of the instrument.
- Stage 3 (credit impairment exposure) – financial assets with a significant increase of the credit risk and objective evidence for impairment (exposures for which "default" exists) are classified here. The company recognises the instrument's full time expected credit losses in the classification at Stage 3. Interest income is recognised by the effective interest method over the net carrying amount of the instrument, i.e. after deduction of the loss allowance.

4.10.3.3. Determination and modelling of risk parameters

The major risk parameters affecting the ECL amount are as follows:

- Probability of default (PD) – the probability for a counterparty not to perform the contractual clauses related to the debt repayment. With regard to collectively assessed exposures, for each separate portfolio the company maintains historic information for migration of exposures from Stage 1/ Stage 2 to Stage 3 ("default"). The value of 12-month PD is determined on the basis of observed rates of deterioration and is calculated as a moving average for a period covering at least 18 months of improvement of the credit expositions. The company applies a basic macro-neutral scenario for determining the parameter PD which is used to calculate the amount of expected losses in terms of credit exposures, due to the lack of material statistical significance between the default ratios and the changes in the macroeconomic indicators in the country. Due to the short-term nature of the loans, the default ratios are updated regularly.

- Exposure at default (EAD) – the potential amount of exposure at the time of default. The amount of exposure at default is determined in accordance with the type of loan by taking into account both the debt amount and the contractual unutilised amounts, depending on the expectation for future utilisation.

- Loss given default (LGD) – the ratio of exposure loss due to a counterparty's default to the amount of exposure at default. In order to determine the LGD indicator, the company calculates the potential loss that would occur if an exposure goes in default. The loss is measured by measuring the cash value of collected funds on loans which have gone in default. The LGD parameter is determined individually for each segment within the credit portfolio in accordance with the asset features and the risk characteristics applied during segmentation. The LGD value is defined on the basis of the actual collectability of loans by segments modelled through the moving average for a period, which examines at least 18 months of credit exposure recovery. The Company applies a macro-neutral scenario when determining the LGD parameter due to the lack of loan collaterals and the lack of material statistical significance of the link between the actual ratios and default ratios and changes in the macroeconomic indicators in the country.

4.10.3.4. Methods for calculation and presentation of expected credit losses by types of financial assets

The assessment of expected credit losses is an average value weighted for the probability of default during the instrument's lifetime by assessing the scope of possible results. Credit losses are the present value of the difference between the cash flows payable under a contract and the cash flows that the company actually expects to receive by taking into consideration the amounts and the time when it expects to receive them. For the purposes of determining expected credit losses, the difference between contractual and expected cash flows is discounted by the initial effective interest rate for the transaction or by the credit loss-adjusted effective interest rate for purchased or initially created financial assets with a credit impairment. The change in the loss allowance is stated as a result of the impairment in profit or loss for the period.

In terms of financial assets measured at amortised cost, the accrued allowance decreases the carrying amount of the instrument in the statement of financial position.

4.10.4. Modified financial assets

If the contractual cash flows of a financial asset have been renegotiated or modified, and the financial asset has not been derecognised, the company estimates whether a significant increase in the credit risk of the financial instrument has occurred by comparing:
a) the risk of occurrence of default as at the reporting date (based on the modified contractual terms); and
b) the risk of occurrence of default as at the date of initial recognition (based on the initial unmodified contractual terms).

4.10.5. Financial liabilities

Financial liabilities comprise loans (credits), including bond issue, payables to suppliers and other counterparties. Initially, they are recognised in the balance sheet at fair value, net of direct transaction costs, and subsequently – at amortised cost through the effective interest method. Items classified as accounts payable and other payables are usually not measured again, as payables are known to a high level of certainty and their settlement is short-term.

4.10.6. Interests, dividends, losses and gains

Interests, other income and expenses related to financial assets, dividends, losses and gains related to a financial instrument or a financial liability item are recognised as income or expense in profit or loss.
Dividend is recognised in profit or loss only when: a) the company's right to receive a dividend payment has been established; b) it is probable that the company would gain dividend-related economic benefits; and c) the amount of dividend could be reliably measured.

4.11. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and current accounts in banks. The company's cash is accumulated in banks with good credit rating.

4.12. Retirement and other employee benefits under the social security and labour legislation

Labour and social security relations with employees at ITF GROUP JSC are based on the provisions of the Labour Code and of the applicable social security legislation in the Republic of Bulgaria.

The company does not have an established and functioning private voluntary social security fund.

Short-term benefits

Short-term employee benefits in the form of remunerations, bonuses and social grants and benefits (payable within 12 months after the end of the period of employee's service or meeting of the required conditions) are recognised as an expense in the statement of comprehensive income (in profit or loss for the year) during the period of service or meeting the requirements for their receipt, and as a current liability (after deducting all amounts and respective deductions already paid) in their non-discounted amount. The social security and health insurance contributions payable by the company are recognised as current expense and liability in non-discounted amount, together and within the period of posting the respective benefits they refer to.

As at the date of each financial statement, the company estimates the amount of expected costs for accumulating leaves subject to compensation that is expected to be paid as a result of unused right of accumulated leave. The assessment comprises an estimate of costs for remunerations and costs for compulsory social security and health insurance payable by the employer on these amounts.

Long-term benefits upon retirement

In accordance with the Labour Code, in its capacity of employer in Bulgaria, the company is obliged to pay employees compensation upon reaching pension age, which varies between 2 and 6 gross salaries as at the date of termination of the employment relation, depending on the length of service in the company.

The Company has assessed the employee benefits upon retirement in accordance with the requirements of IAS 19 Employee Benefits on the basis of forecast payments for the next five years discounted for the time being by a long-term interest rate of risk-free securities. Since the amount is minor for the purposes of the financial statements as a whole (0,1% of liabilities) and due to the great uncertainty of the estimate of the turnover rate, the level of future remunerations, mortality and discount rate, the company believes that there are enough grounds for not including the above payables.

Benefits upon Dismissal

According to the national provisions of labour and social security legislation in Bulgaria, as an employer, the company is obliged to pay specific types of compensation upon termination of an employment agreement before retirement.

The company recognises employee benefits under benefits upon dismissal before reaching retirement age, where binding commitment has been demonstrated on the basis of publicly announced plan, including for restructuring, to terminate the employment agreement with the respective individuals, without the option to be cancelled, or upon formation issue of documents for voluntary dismissal. Benefits upon dismissal payable more than 12 months are discounted and stated in the statement of financial position at their present value.

4.13. Equity and reserves

The share capital of the Company reflects the nominal value of issued shares.

ITF GROUP JSC is a joint stock company registered in the register of BNB as a non-banking financial institution. As at 31 December 2022, the Company's capital amounts to BGN 3 500 thousand and meets the requirements of the Commerce Act and Ordinance No 26 of BNB.

The statutory reserves are formed in accordance with the requirements of the Commerce Act and the Company's Articles of Association. The statutory reserves can be used only for covering the annual loss and losses from previous years. When the fund reaches the minimum amount as set out in the Articles of

Association, the surplus may be used for capital increase.
Retained earnings comprise the current financial performance, accumulated gains and uncovered losses from previous years.

Dividend payables to shareholders are stated on line "Payables to related parties" in the statement of financial position, when dividends have been approved for distribution by the general meeting of shareholders before the end of the reporting period.

All transactions with the Company's owners are stated on stand-alone basis in the statement of changes in equity.

4.14. Income taxes

Income taxes recognised in the profit or loss comprise the sum of deferred and current taxes that are not recognised in the other comprehensive income or directly in equity.

Current tax assets and/or liabilities are these payables to or receivables from tax authorities related to current or previous reporting periods, that have not been paid as at the date of the financial statement. The current tax is payable on the taxable income that is different from the profit or loss in the financial statements. The current tax is calculated in accordance with the tax rates and tax laws that are effective as at the end of the reporting period.

Deferred taxes are calculated in accordance with the passive method for all temporary differences between the carrying amount of assets and liabilities and their tax base. No deferred tax is stated upon initial recognition of an asset or liability, unless the respective transaction refers to the tax or book profit.

Deferred tax assets and liabilities are not subject to discount. The tax rates that are expected to apply during the period of their realization are used to calculate them, provided they have become effective or would surely become effective at the end of the reporting period.

Deferred tax liabilities are recognised in full.

Deferred tax assets are recognised if it is possible to utilize them through future taxable income. The management's estimate for the probability of occurrence of future taxable income through which deferred tax assets could be utilized is summarised in annex No 17

Deferred tax assets and liabilities are offset only when the Company has the right and intention to offset the current tax assets or liabilities from the same tax authority.

The change in deferred tax assets or liabilities is recognised as an item of tax income or expense in the profit or loss, unless they are related to items recognised in other comprehensive income or directly in equity, in which case the respective deferred tax is recognised in the other comprehensive income or in equity.

According to article 96, paragraph 1 of the Corporate Income Tax Act, the income and expense from subsequent estimates of financial assets and liabilities are recognised for tax purposes in the year in which they have been reconciled for all financial institutions. The latter do not abide by articles 34, 35 and 37 of CITA in connection to financial assets and liabilities, therefore the company does not recognise deferred taxes in relation to impairment of receivables.

4.15. Provisions, contingent liabilities and contingent assets

Provisions are recognised when it is probable that present liabilities as a result of a past event would generate outflow from the Company and the amount of the liability can be reliably measured. The time period or the amount of the outflow can be possibly uncertain. A present liability occurs from the existence of a legal or constructive obligation as a result of past events, for example guarantees, litigations or encumbering contracts. Provisions for restructuring are recognised only if a detailed formal restructuring plan has been developed and implemented, or the management has announced the major aspects of the restructuring plan to those that would be affected. Provisions for future losses from operations are not recognised.

The amount recognised as provision is charged on the basis of the best estimate of expenses required to settle a present liability as at the end of the reporting period, by taking into account the present liability-related risks and uncertainty. When a number of similar liabilities exist, the probable need of outflow to settle the liability is determined by taking into consideration the group of liabilities as a whole. Provisions are discounted where the effect of time differences in the value of money is significant.

Compensations from third parties with regard to a liability the company is sure to receive are recognised as a separate asset. This asset may not exceed the amount of the respective provision.

Any obligation-related compensations from third parties that the Company is sure to receive are recognised as a separate asset. Such asset may not exceed the amount of the respective provision.

Provisions are subject to review as at the end of each reporting period and their amount is adjusted to reflect the best estimate.

In case it is believed that it is less probable to generate an outflow of economic resources as a result of a current liability, no liability is recognised. Contingent liabilities should be estimated subsequently at the higher value of the comparable provision described above and the initially recognised amount less charged amortisation.

Probable inflows of economic benefits that do not yet meet the criteria for recognition of an asset are considered contingent assets. They are described together with the Company’s contingent liabilities under annex 36.

4.16. Significant estimates made by the management for the implementation of the accounting policies

The significant estimates of the management when applying the company’s accounting policies that have most significant effect on the financial statements are described below. The major sources of uncertainty while using accounting estimates are described under annex 4.17.

4.16.1. Self-developed intangible assets and research costs

The management controls intracompany development projects by using a project management system. Development costs are recognised as an asset when they meet all criteria, while research costs are stated at the time of their incurrence.

To differentiate the research phase of a development project, the Company’s accounting policy requires a detailed forecast of the sales or decrease of costs that are expected to be realised by the intangible assets. This forecast is included in the general budget forecast when the capitalisation of development costs begins. Thus, the Company guarantees that the management accounting, the impairment tests and the accounting of self-developed intangible assets are based on the same data.

The Company’s management further observes whether research costs are still meeting the recognition criteria. This is necessary since the successful market realisation of the developed product is uncertain and may be subject to future technical issues after the time of recognition.

4.16.2. Deferred tax assets

The estimate of the probability for future taxable income for utilisation of deferred tax assets is based on the most recently approved budget forecast adjusted to accommodate the significant untaxable income and expenses and specific restrictions for carry forward of unused tax losses or credits. The tax rates in different jurisdictions in which the Company operates are also taken into consideration. If the reliable forecast for taxable income suggests probable use of a deferred tax asset, especially in case the asset could be used without restrictions in time, then the deferred tax asset is recognised in full. The recognition of deferred tax assets that are subject to specific legal or economic restrictions or uncertainty, is reviewed by the management on case by case basis with due consideration of specific facts and circumstances.

4.16.3. Debt instruments measured at amortised cost

The analysis and intentions of the management are verified by the business model of holding debt instruments that meet the requirements for receiving principal and interest payments only and holding assets until collection of contractual cash flows which are classified as debt instruments measured at amortised cost. This decision takes into consideration the current liquidity and the Company's equity.

4.16.4. Review of the useful life of property, plant and equipment

During the current financial year, no changes in the useful life of fixed tangible and intangible assets have been made.

4.16.5. Term of lease contracts

When determining the term of lease contracts, the management takes into account all facts and circumstances that create economic incentives to exercise an option for renewal or not to exercise an option for termination. Options for renewal (or periods after options for termination) are included in the lease term only if it is certain enough that the lease contract has been renewed (or has not been terminated).
The following factors are usually most appropriate in terms of office lease:

- Significant sanctions for termination (or non-renewal); usually, the company is sure that it would renew (or would not terminate).
- If it is expected that improvements of leasing rights would have a significant residual value; usually, the company would renew the term of the contract (or would not terminate it) with reasonable level of certainty.
- In other cases, the Company reviews other factors, including the historic duration of the lease and the costs and changes in business required to replace the leased asset.

Options for renewal of office and vehicle lease contracts, if provided for in the contracts, are not included in the lease liabilities. The Company judges each contract individually, depending on the needs of the economic activity.
The lease term is reviewed if the option has been actually exercised (or not exercised), or the Company is obliged to exercise (or not exercise) it. The estimate of reasonable certainty is reviewed only upon the occurrence of a significant event or a significant change of circumstances that affect the estimate and this is within the lessee's control.

4.16.6. Recognition of deferred taxes in relation to assets and liabilities arising from lease contracts

When assets and liabilities arise from a lease contract and they result in initial recognition of a taxable temporary difference related to the right-of-use asset and offsetting temporary difference with an equal value over the lease liability, this results to a net temporary difference equal to zero. Therefore, the Company does not recognise deferred taxes with regard to the specified lease transactions, as far as within the framework of the useful life of the asset and the maturity of the liability, the net tax effects would be equal to zero. However, deferred tax would be recognised in case temporary differences occur during the next periods, provided the general conditions for recognition of tax assets and liabilities under IAS 12 are met.

4.17. Uncertainty of accounting estimates

While preparing the financial statements, the management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.
The actual results might differ from these judgements, estimates and assumptions, and in rare cases fully correspond to the estimated results.
Information about significant judgements, estimates and assumptions that have most substantial impact on the recognition and measurement of assets, liabilities, income and expenses is presented below.

4.17.1. Impairment of non-financial assets

The amount with which the carrying amount of an asset or a cash-generating unit exceeds their recoverable amount, which is the higher of the fair value less the costs for sale of an asset, and its value in use, is recognised as an impairment loss. In order to determine the value in use, the Company's management calculates the expected future cash flows for each cash-generating unit and determines the appropriate discount factor for the purposes of calculating the present value of these cash flows. When calculating the expected future cash flows, the management makes assumptions with regard to future gross profits. These assumptions refer to future events and circumstances. The actual results might differ and require significant

adjustments to the Company's assets during the next reporting year.
In most cases, when determining the applicable discount factor, the Company estimates the appropriate adjustments with regard to the market risk and the risk factors that are specific for individual assets.
During the reporting periods in question, the Company has not identified indications for impairment of non-current assets up to their recoverable value.

4.17.2. Useful life of amortised assets

The management reviews the useful life of amortised assets at the end of each reporting period.
As at 31 December 2022, the management determines the useful life of assets which is the expected term of use of the Company's assets. The actual useful life may differ from the estimate due to technical and moral wear and tear, mainly for software products and computer equipment.

4.17.3. Determining the expected credit losses

At every reporting date, the company reviews and determines the expected credit losses of granted loans, cash and other debt instruments by taking into account the entire reasonable and substantiated information, including for future periods. During the review, the company takes into account the change in risk from occurrence of default during the expected life of the financial instrument and this review is to a great extent based on forecasts, estimates and previous experience, as well as specific, operational and other individual characteristics. Loss at default is calculated on the basis of monthly time periods in order to take into account the fact that loans at different stages of service delay have different collection rates. The calculated probabilities of default and losses at default are applied to each loan and the resultative assessments are discounted as at the date of the portfolio review. Discounts are made in case of expected loss at the end of the maximum time period of default. The sum of these discounted values gives the expected credit loss of the portfolio.

4.17.4. Employee benefits upon retirement

The company has measured employee benefits upon retirement in accordance with the requirements of IAS 19 Employee benefits. This evaluation requires to make assumptions about the rate of discount, the future increase of wages and salaries, staff turnover and mortality rates. Due to the long-term nature of employee benefits upon retirement, these assumptions are subject to significant uncertainty.

4.17.5. Fair value measurement

The fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between independent market participants on the measurement date. The fair value is the output price and is based on the assumption that the sales operation would be realised either on the major market for this asset or liability, or if no such major market exists – on the most advantageous market for the asset or liability. Both the determined major market and the most advantageous market are markets the company always has access to.

Fair value measurement is made from the perspective of assumptions and estimates that potential market participants would make when they determine the price of the respective asset or liability, while assuming that they would act for achieving the highest economic benefit of it for themselves.

4.17.6. Uncertainty upon determining the Company's corporate tax liabilities and uncertain contingent tax liabilities

The Company's management has assessed whether it is probable that the tax authority would accept uncertain tax treatment. While pursuing its business, the Company has taken into account the tax practice and the probable tax treatment; therefore, the taxable profit (tax loss), tax bases, unused tax losses, unused input tax and tax rate correspond to the used and expected treatment that would be applied upon declaring income taxes.

5. INCOME FROM FINANCIAL ASSETS

Income reported as at 31 December 2022 comprises interest income from granted loans, income from charges, income from default charges, classified in the following groups:

	2022 BGN'000	2021 BGN'000
Interest income from borrowers	2 024	1 044
Charges	1 364	660
Default charges	6 688	4 211
	10 076	**5 915**
Other financial income	**56**	**108**
Income from financial assets	**10 132**	**6 023**

6. INCOME FROM CONTRACTS WITH CUSTOMERS

	2022 BGN'000	2021 BGN'000
Income recognised in the course of time		
Income from services	519	25

Income from services are additional fees on out-of-court collection, charges connected to the credit risk assessment of the client and optional charges for services of the client's choice that are not obligatory. The charges connected to the risk assessment are part of APR.

7. OTHER INCOME

	2022 BGN'000	2021 BGN'000
Covid-19-related income		20
Subsidies on electricity	11	-

8. EXPENSES ON MATERIALS AND HIRED SERVICES

Expenses on materials and hired services comprise:

	2022 BGN'000	2021 BGN'000
Consumables and stationery	(53)	(26)
Fuel	(4)	(2)
Expense on materials	**(57)**	**(28)**
Legal and other consultancy services	(334)	(66)
Advertising expenses	(245)	(86)
Telephone and internet communication	(124)	(80)
Accounting services	(99)	(90)
Overhead maintenance	(121)	(61)
Technical maintenance	(165)	(168)
Other services	(28)	(53)
Short-term variable lease-related expenses	(40)	(20)
Audit	(13)	(11)

Expenses on hired services	**(1 169)**	**(635)**
Total expenses on materials and hired services	**(1 226)**	**(663)**

Short-term variable lease-related payments comprise:

	2022 BGN'000	***2021 BGN'000***
Rent of office equipment	(26)	(6)
Short-term rents car parking	(14)	(13)
Expenses on materials	**(40)**	**(19)**

The fee for the independent financial audit for 2022 is in the amount of BGN 11 thousand, VAT exclusive, and BGN 13 thousand, VAT inclusive, respectively. During the year the registered auditors have not provided services other than the statutory financial audit. This disclosure is made in keeping with the requirements under article 30 of the Accounting Act.

9. EMPLOYEE BENEFITS

Employee benefits comprise:

	2022 BGN'000	***2021 BGN'000***
Remunerations	(2 217)	(2 113)
Social security contributions	(262)	(230)
	(2 479)	**(2 343)**

10. OTHER OPERATING EXPENSES

Other operating expenses comprise:

	2022 BGN'000	***2021 BGN'000***
Peer to peer platform charges	(255)	(17)
Subscriptions and other services	(64)	(60)
Bond issue expenses	(51)	(36)
VAT related to supplies under article 84 of the Value added Tax Act (VATA)	(125)	(57)
Other expenses connected to borrowers	(123)	(54)
Out-of-court charges	(302)	(76)
National Social Security Institute and BNB	(46)	(23)
Other expenses	(80)	(18)
Occupational medicine and insurances	(9)	(10)
Taxes, overdue interest	(22)	(11)
Rewards	(5)	(13)
	(1 082)	**(375)**

11. EXPENSES FOR EXPECTED CREDIT LOSS OF GRANTED LOANS, NET

During the current period, expenses for expected credit loss of receivables in the amount of BGN 2 201 thousand (as at 31 December 2021: BGN 431 thousand) are recognised, being impairment of receivables under granted loans in arrears, in accordance with the adopted corporate policy.

	2022 BGN'000	*2021 BGN'000*
Impairment for the period	(2 201)	(431)
	(2 201)	**(431)**

12. INTEREST EXPENSES AND OTHER FINANCIAL EXPENSES

	2022 BGN'000	*2021 BGN'000*
Bank charges and fees	(75)	(50)
Interest expenses	(1 161)	(742)
Expenses for foreign currency transaction	(15)	(5)
	(1 251)	**(797)**

13. INCOME TAX (EXPENSES)/ REVENUE

	2022 BGN'000	*2021 BGN'000*
Tax (loss)/ profit for the year	1 166	(289)
Current income tax expense for the year	**(117)**	**-**
Change of deferred tax related to occurrence and reversal of temporary differences	(24)	30
Total income tax revenue/ (expense)	**(141)**	**30**

Reconciliation of income tax expenses towards accounting result

	31 December 2022 BGN'000	*31 December 2021 BGN'000*
Accounting profit for the year	1 311	205
Income tax expense - 10% (2021: 10%)	(132)	(20)
Expenses for tax from amounts not recognised in the tax return:		
• increases	(72)	(47)
• decreases	87	97
• change of deferred tax asset	15	30
Tax income/ (expenses) comprise:		
• current tax	(117)	-
• deferred tax expenses/ income from occurrence and reversal of temporary differences	(24)	30
Total saving / (expense) for income tax stated in the statement of comprehensive income	(141)	30

14. INTANGIBLE ASSETS, PLANT AND EQUIPMENT

Intangible assets, plant and equipment comprise:

	Software	Rights	Computer equipment	Fixtures and fittings	Software in process of development	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Gross value as at 01 January 2022						
At the beginning of the period	1 565	8	130	43	336	2 082
Acquisitions during the period	433	-	17		158	608
Written off during the period	(401)	(8)	(16)	(10)	(433)	(868)
Gross value as at 31 December **2022**	**1 597**	**-**	**131**	**33**	**61**	**1 822**
Amortisations						
Amortisation amount as at 01 January 2022	759	8	120	38	-	925
Accruals for the period	172		7	2	-	181
Written off during the period	(401)	(8)	(16)	(8)		(433)
Amortisation amount as at 31 December 2022	**530**	**-**	**111**	**32**	**-**	**673**
Carrying amount at the end of the period	**1 067**	**-**	**20**	**1**	**61**	**1 149**

	Software	Rights	Computer equipment	Fixtures and fittings	Software in process of development	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Gross value as at 01 January 2021						
At the beginning of the period	1 564	8	125	43	150	1 891
Acquisitions during the period	-	-	5	-	186	191
Gross value as at 31 December 2021	**1 564**	**8**	**130**	**43**	**336**	**2 082**
Amortisations						
Amortisation amount as at 01 January 2021	619	8	113	35	-	775
Accruals for the period	140		7	3	-	151
Amortisation amount as at 31 December 2021	**759**	**8**	**120**	**38**	**-**	**926**
Carrying amount at the end of the period	**805**	**-**	**10**	**5**	**336**	**1 115**

Company's Software comprises the following self-developed software products:

Self-developed intangible assets during the period	**ITF Admin**	**Collection System**	**Identity reports software**	**Scoring software**	**Impairment model IFRS 9**	**Total**
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Gross value as at 01 January 2022	680	160	100	90	5	**1035**
Acquisitions during the period	433					**433**
Gross value as at 31 December 2022	**1 113**	**160**	**100**	**90**	**5**	**1 468**
Amortisations						
Amortisation amount as at 01 January 2022	153	46	28	26	**2**	**255**
Accruals for the period	68	23	14	13	1	**119**
Amortisation amount as at 31 December 2022	**221**	**69**	**42**	**39**	**3**	**374**
Carrying amount at the end of the period	**892**	**91**	**58**	**51**	**2**	**1 094**

Self-developed intangible assets during the period	**ITF Admin**	**Collection System**	**Identity reports software**	**Scoring software**	**Impairment model IFRS 9**	**Total**
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Gross value as at 01 January 2021	680	160	100	90	**5**	**1 035**
Acquisitions during the period						
Gross value as at 31 December 2021	680	160	100	90	**5**	**1 035**
Amortisations						
Amortisation amount as at 01 January 2021	85	23	14	13	**1**	**136**
Accruals for the period	68	23	14	13	1	119
Amortisation amount as at 31 December 2021	**153**	46	28	26	**2**	**255**
Carrying amount at the end of the period	**527**	**114**	**72**	**64**	**3**	**780**

During 2022 the Company has written off entirely amortised intangible assets with a balance value of BGN 433 thousand.

The company does not have significant contractual obligations to acquire fixed tangible assets or intangible assets as at 31 December 2022.
As at 31 December 2022, there are no encumbrances established on fixed tangible and intangible assets of the company.

15. RIGHT-OF-USE ASSETS

Right-of-use assets comprise:

Right-of-use assets	**Buildings** *BGN'000*	**Vehicles** *BGN'000*	**Total** *BGN'000*
Gross value as at 01.01.2022	941	54	995
Acquisitions during the period	311	-	311
Disposals during the period	-	-	-
Gross value as at 31.12.2022	**1 252**	**54**	**1 306**
Amortisations			
Amortisation amount as at 01.01.2022	308	25	333
Accruals for the period	271	11	282
Disposals for the period	-	-	-
Amortisation amount as at 31.12.2022	**579**	**36**	**615**
	673	**18**	**691**

Right-of-use assets	**Buildings** *BGN'000*	**Vehicles** *BGN'000*	**Total** *BGN'000*
Gross value as at 01.01.2021	637	54	691
Acquisitions during the period	551	-	551
Disposals during the period	(247)	-	(247)
Gross value as at 31.12.2021	**941**	**54**	**995**
Amortisations			
Amortisation amount as at 01.01.2021	385	15	400
Accruals for the period	170	10	180
Disposals during the period	(247)	-	(247)
Amortisation amount as at 31.12.2021	**308**	**25**	**333**
Carrying amount at the end of the period	**633**	**29**	**662**

All significant fixed tangible and intangible assets were tested as at 31 December 2022 for the purposes of identifying any signs of impairment. The test found that there were no significant differences between the carry forward amount of assets and their recoverable amounts.

16. DEFERRED TAX ASSETS

	Tax base	*tax*	*Tax base*	*tax*
	31 December 2022 BGN'000	*31 December 2022 BGN'000*	*31 December 2021 BGN'000*	*31 December 2021 BGN'000*
Charged unused annual leave	69	7	70	7
Recognition of unrecognised costs for unused annual leave	(67)	(7)	(79)	(8)
Recognition of unrecognised costs being residents' income	(27)	(3)	(7)	(1)
Costs being residents' income	47	5	27	3
Lease cost recognised for accounting purposes in accordance with IFRS 16	334	33	201	20
Costs applied to operating lease contracts in accordance with IFRS 16	(309)	(31)	(193)	(19)
Tax loss	(289)	(28)	289	28
Income/ expense for temporary taxes	**(242)**	**(24)**	**308**	**30**
Balance as at the end of the period		**15**		**39**

17. RECEIVABLES FROM GRANTED LOANS

	31 December 2022 BGN'000	*31 December 2021 BGN'000 Recalculated*
Receivables from customers, gross, before impairment	18 596	11 216
Recognised impairments for expected credit loss	(2 361)	(706)
Receivables from customers, net	**16 235**	**10 510**
Judicially awarded receivables from granted loans	968	912
Recognised impairments for expected credit loss	(968)	(833)
Judicially awarded receivables, net	**-**	**79**
	16 235	**10 589**

As at 31 December 2022, the expected credit loss of granted loans is determined as follows:

	Impairment of financial assets at amortized cost	
	2022 BGN'000	*2021 BGN'000*
Balance as at 1 January 2022	(1 539)	(1 378)
Recognised expected credit loss for the current period	(2 201)	(431)
Derecognised impairment of sold loans	411	270
As at 31 December 2022	**(3 329)**	**(1 539)**

Quality of credit portfolio

31 December 2022	**Stage 1** *BGN'000*	**Stage 2** *BGN'000*	**Stage 3** *BGN'000*	**Total** *BGN'000*
Gross carrying amount	5 600	6 663	6 333	18 596
Impairment loss	(152)	(184)	(2 025)	(2 361)
Net amount	**5 448**	**6 479**	**4 308**	**16 235**

31 December 2021	**Stage 1** *BGN'000*	**Stage 2** *BGN'000*	**Stage 3** *BGN'000*	**Total** *BGN'000*
Gross carrying amount	3 029	2 923	5 264	11 216
Impairment loss	(20)	(20)	(666)	(706)
Net amount	**3 009**	**2 903**	**4 598**	**10 510**

Quality of the credit portfolio for judicially awarded receivables

31 December 2022	**Stage 1** *BGN'000*	**Stage 2** *BGN'000*	**Stage 3** *BGN'000*	**Total** *BGN'000*
Gross carrying amount	-	-	968	968
Impairment loss	-	-	(968)	(968)
Net amount	**-**	**-**	**-**	**-**

31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**

	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount	-	-	912	912
Impairment loss	-	-	(833)	(833)
Net amount	**-**	**-**	**79**	**79**

Change of credit portfolio by stages
Gross carrying amount

	Stage 1	Stage 2	Stage 3	Total
Gross balance as at 01.01.2022	3 029	2 923	6 398	12 350
Increases due to occurrence and acquisition	5 600	5 894	66	11 560
Decreases due to discontinued recognition	(1 742)	(722)	(1 065)	(3 529)
Charged interests on uncovered exposures	-	247	130	377
Changes due to change in credit risk (net)	(1 287)	(1 679)	1 772	(1 194)
Gross balance as at 31.12.2022	**5 600**	**6 663**	**7 301**	**19 564**

Amount of expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Gross balance as at 01.01.2022	(20)	(20)	(1 499)	(1 539)
Increases due to occurrence and acquisition	(152)	(163)	(66)	(381)
Decreases due to discontinued recognition	9	4	89	102
Changes due to change in credit risk (net)	11	(5)	(1 517)	(1 511)
Gross balance as at 31.12.2022	**(152)**	**(184)**	**(2 993)**	**(3 329)**

During the forth quarter of 2022 a sale of receivables was realized. The effect of the sale on the receivables portfolio is as follows:

	2022
	BGN'000
Gross value of sold receivables from granted loans	1 182
Total amount of derecognised impairment of receivables	(411)
Net value of sold receivables from granted loans	771
Income from sale of receivables	121
Net loss from sale of receivables from granted loans	**(650)**

In 2022, the Company follows its policy on receivables portfolio management and minimization of the liquidity risk and has realised a sale of a portfolio of loan receivables in arrears. This is a sale of exposures with increased credit risk and considerable reported losses and does not breach the business management model of these assets, but is used as a tool to limit further losses with regard to this portfolio. Despite the few similar transactions on the market of bad loans, the Company realised the transaction at good percentage levels. Upon entering into similar transactions, the company's management makes careful judgement about the exposures to be included in the sold package of receivables. The packages are determined on the basis of days in arrears and already accumulated impairment losses from the respective receivables.

18. TRADE RECEIVABLES

	31 December 2022 *BGN'000*	*31 December 2021* *BGN'000*
Prepaid expenses	147	256
	147	**256**

19. OTHER CURRENT ASSETS

	31 December 2022 *BGN'000*	*31 December 2021* *BGN'000*
Loans granted to third legal entities	10	10
Expected credit loss	(1)	(1)
Carrying amount of loans granted to third legal entities	9	9
Interests for granted loans	4	15
Other short-term receivables	57	14
	70	**38**

The company *has granted loans under the following conditions:*

Loan agreement Stefan G.	BGN 10 thousand
Purpose of loans:	Working capital
Date of signing the agreement:	17/12/2019
Maturity date:	31/12/2023
Date of signing – above	
Interest rate:	15%
Balance as at 31.12.2021	principal – BGN 10 thousand;
Balance as at 31.12.2023	principal – BGN 10 thousand;

20. GUARANTEES

As at 31 December 2022, guarantees in relation to office lease agreements amount to BGN 108 thousand (as at 31 December 2021 – BGN 67 thousand). The Company has also provided a bank guarantees with blocked cash, disclosed in annex 21.

21. CASH AND CASH EQUIVALENTS

As at 31 December 2022, the cash is available in the company's current accounts in the following banks and payment service system operators:

- KBC Bank Bulgaria PJSC
- Eurobank Bulgaria JSC
- Unicredit Bulbank JSC
- CCB JSC
- DSK JSC
- Easypay JSC
- UBB JSC
- FIB JSC
- Allianz Bank JSC

Cash is distributed as follows:

	31 December 2022 *BGN'000*	*31 December 2021* *BGN'000*
Cash on hand – BGN	267	129
Current accounts – BGN	2 844	301
Blocked cash for bank guarantee	98	88
Total	**3 209**	**518**

The Company reports blocked cash for issued performance bank guarantee under office lease agreement to the amount of BGN 88 thou and BGN 10 thou guarantee for the National Social Security Institute in relation to a contract for data management.

The Company has assessed the expected credit losses on cash and cash equivalents. The assessed amount is 0,2% of the gross amount of cash and cash equivalents due to the good credit rating of the financial institutions where the cash is deposited. The amount is determined as minor and is not stated in the Company's financial statements.

22. EQUITY

22.1. Share capital

As at 31st December 2022 the capital of the Company amounts to BGN 3 500 000 (three million and five hundred thousand Bulgarian levs) and is divided into 3 500 000 (three million and five hundred thousand) shares with a nominal value of BGN 1 (one Bulgarian lev) each, and all 3 500 000 (three million and five hundred thousand) shares are ordinary, uncertified, registered voting shares.

Shareholders

As at 31 December 2022, the shareholders of ITF GROUP JSC are as follows:

- Abbey Capital PLTD – 3 098 275 shares – 89 %;
- Other non-connected companies – 230 848 shares – 7 %;
- Natural persons – 170 877 shares – 4 %;

	31 December 2022 BGN'000	*31 December 2021 BGN'000*
Fully paid shares, including	3 500	1 800
- Ordinary, uncertified, registered	3 500	1 800
	3 500	**1 800**

The holders of ordinary shares have the right to dividend and to one vote per share they hold at the general meetings of ITF GROUP JSC. All shares of the company are of equal ranking in terms of residual assets.

22.2. Reserves

As at 31 December 2022, the statutory reserves amount to K BGN 180 (2021 – K BGN 180) and represent 10% of the share capital in accordance with the Commerce Act. Upon realisation of a positive financial result, the general meeting adopts annual resolutions for additional allocations to the reserve fund of ITF GROUP JSC until reaching the statutory amount.

As at 31st December 2022, reserves from a share issue amounting to BGN 2 310 thou have been formed. They represent the difference between the nominal and the issue value of the subscribed shares from the most recent capital increase.

	31 December 2022 BGN'000	*31 December 2021 BGN'000*
Statutory reserves	180	180
Reserves from share issue	2 310	
Total	**2 490**	**180**

22.3. *Retained earnings*

As at 31 December, retained earnings comprise:

	31 December 2022 *BGN'000*	*31 December 2021* *BGN'000*
Retained earnings (net)	1 000	765
Profit for the period	1 170	235
	2 170	**1000**

23. BOND ISSUE LIABILITIES

The bond issue is stated in the category of financial liabilities measured at amortised cost.

	31 December 2022 *BGN'000*	*31 December 2021* *BGN'000*
Principal	4 000	5 000
Interest	50	63
Non-amortised costs	(48)	(60)
Total	**4 002**	**5 003**

The bond issue liability is stated in the statement of financial position by maturity dates as follows:

	2022		*2021*	
	BGN'000 Current portion	*BGN'000* Non-current portion	*BGN'000* Current portion	*BGN'000* Non-current portion
Book value	1 050	3 000	1 063	4 000
Loan non-amortised costs	-	(48)	-	(60)
Amortised cost	**1 050**	**2 952**	**1 063**	**3 940**

Amount of bond issue	BGN 5 000 000 (five million Bulgarian levs);
Currency of bond issue	BGN (Bulgarian levs)
Number of corporate bonds	5 000 (five thousand);
Nominal value per bond	BGN 1 000 (one thousand Bulgarian levs);
Issue value per bond	BGN 1 000 (one thousand Bulgarian levs);
Date of issue	15 November 2019;
Type of corporate bonds	first ranking, ordinary, registered, interest-bearing, dematerialised, non-convertible, freely transferrable, secured;
Term of validity	7 (seven) years, 84 (eighty-four) months;
Period of coupon payment	6 (six) months;
Repayment of principal	10 (ten) equal instalments, together with the last 10 interest payments, namely: 15.05.22 15.11.22 15.05.23 15.11.23 15.05.24 15.11.24 15.05.25 15.11.25 15.05.26 15.11.26

Coupon	10 % per annum
Collateral	real estate and receivables

As at 31 December 2022, a pledge of receivables from loans granted to borrowers is registered in favour of the bond issue trustee Elana Trading JSC pursuant to the Special Pledges Act in the amount of BGN 3 455 thousand (31st December 2021: BGN 4 641 thousand.). The pledged receivables represent 17.66 % of the company's gross portfolio (31st December 2021: 44%).

A contractual mortgage of real estate – ownership of a shareholder, in the amount of BGN 1 792 thousand, and a contractual mortgage of real estate – ownership of a third party, in the amount of BGN 512 thousand, are established in favour of the bond issue trustee Elana Trading JSC.

First ranking pledge over all existing and future receivables to payment accounts of the Company at Easypay JSC and receivables to all other existing and future accounts of ITF Group JSC in payment institutions on the territory of the Republic of Bulgaria is established in favour of the bond issue trustee Elana Trading JSC.

The bond covenants as at 31 December 2022 are as follows:

Interest Coverage Ratio is 287%.
Liabilities to assets ratio is 62.46%.
Minimum Collateral Amount is 69.45%.
Receivables pledge is for the amount of BGN 3 455 365.

24. PAYABLES UNDER LEASE CONTRACTS

	2022 *BGN'000*	*2021* *BGN'000*
Lease liabilities – non-current portion	488	492
Lease liabilities – current portion	267	181
Lease liabilitis	**755**	**673**

	Minimum lease payments due					
	Less than 1 year BGN'000	**1-2 years BGN'000**	**2-3 years BGN'000**	**3-4 years BGN'000**	**4-5 years BGN'000**	**Total BGN'000**
31 December 2022						
Lease liabilities	305	225	172	129	-	831
Financial expenses	(38)	(23)	(12)	(3)	-	(76)
Net present value	**267**	**202**	**160**	**126**	**-**	**755**
31 December 2021						
Lease liabilities	215	176	152	123	93	759
Financial expenses	(34)	(25)	(16)	(9)	(2)	(86)
Net present value	**181**	**151**	**136**	**114**	**91**	**673**

The Company rents offices and company cars. Except for the short-term lease contracts and the low-value asset lease, every lease is stated in the statement of financial position as a right-of-use asset and lease liability. Variable lease payments that do not depend on index or floating rates (for example, lease payments based on percentage of the Company's sales) are excluded from the initial recognition of the lease liability and asset. The Company classifies its right-of-use assets on a separate line in the Statement of Financial Position (annex 15).

Usually, every lease sets out a restriction that the right-of-use assets may be used by the Company only, unless the Company has a contractual right to release the asset to a third party. The Company is not allowed to sell or pledge the leased assets as collateral. In accordance with the office lease contract, the Company should maintain the leased properties in good condition and to give the properties back in their original condition after the expiration of the lease contract.

Lease payments not recognised as a liability

The Company has elected not to recognize liabilities under lease contracts if they are short-term liabilities (leases with an expected term of validity of 12 months or less) or if they refer to low-value asset lease. Payments made under these lease contracts are recognised as expense according to the straight-linear method. Furthermore, some variable lease payments may not be recognised as lease liabilities and are recognised as expense at the time of incurrence thereof.

As at 31 December 2022, the expenses related to payments that are not taken into account in the measurement of the liabilities under lease contracts are as follows:

Expenses for variable lease payments that are not recognised as liabilities under lease contracts comprise short-term parking lot lease, expenses for the use of office equipment exceeding a specific fixed amount. Variable payment terms and conditions apply due to a number of reasons, including minimising the expenses for IT equipment, which is rarely used in operations. Variable lease payments are recognised as an expense during the period they have been incurred in. Their amount is presented in annex 8, including payments for lease of office equipment of BGN 26 thousand (2021 – BGN 6 thousand) and parking lot lease of BGN 14 thousand (for 2021 – BGN 13 thousand).

A more detailed information about the types of right-of-use assets is presented in annex 15.

25. NON-CURRENT LIABILITIES FOR BORROWINGS

	31 December 2022 BGN'000	*31 December 2021 BGN'000*
Liabilities to third parties for borrowings	2 212	1 623
	2 212	**1 623**

Loan agreement
Ox Company PLTD
UIC 202624623

Agreed amount:	BGN 200 thousand
Date of signing the agreement:	04/04/2019
Purpose of loans:	Working capital
Maturity date:	30/11/2026
Interest rate:	3%
Balance as at 31.12.2021:	principal – BGN 89 thousand;
Balance as at 31.12.2022:	principal – BGN 200 thousand

Loan agreement
Danson-BG LTD
UIC 203612570

Agreed amount:	BGN 111 thousand
Date of signing the agreement:	02/11/2020
Purpose of loans:	Working capital
Maturity date:	30/11/2026

Interest rate:	10%
Balance as at 31.12.2021:	principal – BGN 111 thousand
Balance as at 31.12.2022:	principal – BGN 111 thousand

Loan agreement
Danson-BG LTD
UIC 203612570

Agreed amount:	BGN 470 thousand
Date of signing the agreement:	02/11/2020
Purpose of loans:	Working capital
Maturity date:	06/01/2025
Interest rate:	10%
Balance as at 31.12.2021:	principal – BGN 470 thousand;
Balance as at 31.12.2022:	principal – BGN 470 thousand.

Loan agreement
Ox Company PLTD
UIC 202624623

Agreed amount:	BGN 600 thousand
Date of signing the agreement:	24/04/2018
Purpose of loans:	Working capital
Maturity date:	2/12/2026
Interest rate:	3%
Balance as at 31.12.2021:	principal – BGN 400 thousand;
Balance as at 31.12.2022:	principal – BGN 400 thousand

Loan agreement
Botyo V.

Agreed amount:	BGN 200 thousand
Date of signing the agreement:	29/06/2015
Purpose of loans:	Working capital
Maturity date:	30/10/2024
Interest rate:	11%
Balance as at 31.12.2021:	principal – BGN 200 thousand;
Balance as at 31.12.2022:	principal – BGN 200 thousand;

Loan agreement
Georgi D.

Agreed amount:	BGN 100 thousand
Date of signing the agreement:	09/02/2016
Purpose of loans:	Working capital
Maturity date:	09/02/2025
Interest rate:	10%
Balance as at 31.12.2021:	principal – BGN 60 thousand;
Balance as at 31.12.2022:	principal – BGN 60 thousand

Loan agreement
Toma T.

Agreed amount:	BGN 293 thousand
Date of signing the agreement:	04/01/2016

Purpose of loans:	Working capital
Maturity date:	01/11/2024
Interest rate:	10%
Balance as at 31.12.2021:	principal – BGN 293 thousand;
Balance as at 31.12.2022:	principal – BGN 293 thousand.

Loan agreement
Filip D.

Agreed amount:	BGN 938 thousand
Date of signing the agreement:	18/10/2022
Purpose of loans:	Working capital
Maturity date:	31/12/2025
Interest rate:	10%
Balance as at 31.12.2022:	principal – BGN 938 thousand;

The borrowing received by the Company is not secured.

26. TRADE PAYABLES

	31 December 2022 BGN'000	*31 December 2021 BGN'000*
Current payables to suppliers	78	125
	78	**125**

27. TAX LIABILITIES

	31 December 2022 BGN'000	*31 December 2021 BGN'000*
Corporate tax liabilities	69	-
	69	**-**

28. EMPLOYEE BENEFITS AND PAYABLES TO SOCIAL SECURITY INSTITUTIONS

	31 December 2022 BGN'000	*31 December 2021 BGN'000*
Employee benefits	47	33
Payables for charged leaves subject to compensation	101	99
Payables for individual income tax	32	48
Payables for state social security scheme and health insurance	98	90
	278	**270**

29. LIABILITY FOR A CONTINUING INTEREST IN FINANCIAL ASSETS

A liability for participation in Peer to Peer platforms as at 31 December 2022 in the amount of BGN 5 341 thousand (BGN 847 thousand as at 31 *December* 2021).

30. LIABILITIES FOR SHORT-TERM BORROWINGS

	31 December 2022 BGN'000	*31 December 2021 BGN'000*
Liabilities for borrowings to third parties	738	1 372
Interest liabilities for funding granted by non-related parties	-	66
	738	**1 438**

Loan agreement
Valentin T.

Agreed amount:	BGN 196 thousand
Date of signing the agreement:	14/02/2019
Purpose of loans:	Working capital
Maturity date:	14/02/2022
Interest rate:	10%
Balance as at 31.12.2021:	principal – BGN 196 thousand;
Balance as at 31.12.2022:	principal – - thousand;

Loan agreement
Ox Company PLTD
UIC 202624623

Agreed amount:	BGN 2 000 thousand
Date of signing the agreement:	04/01/2021
Purpose of loans:	Working capital
Maturity date:	31/12/2022
Interest rate:	3%
Balance as at 31.12.2021:	principal – BGN 1 176 thousand
Balance as at 31.12.2022:	principal – BGN 598 thousand.

Loan agreement
Kristian D.

Agreed amount:	BGN 158 thousand
Date of signing the agreement:	28/06/2022
Purpose of loans:	Working capital
Maturity date:	28/12/2022
Interest rate:	10%
Balance as at 31.12.2022:	principal – BGN 140 thousand.

31. OTHER LIABILITIES

	31 December 2022 BGN'000	*31 December 2021 BGN'000*
Current liability for corporate credit card	12	26
Client advances	35	-
VAT obligation	15	-

Other	22	9
	84	**35**

32. RECONCILIATION OF CASH FLOWS RELATED TO FINANCING ACTIVITY

	31 *December* 2021	Cash flows	Changes of non-monetary nature	31 *December* 2022
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Received loans	9 322	2 396	525	**12 243**
Lease	673	(317)	399	**755**
Total liability from financing activity	**9 995**	**2 045**	**958**	**12 998**

	31 *December* 2020	Cash flows	Changes of non-monetary nature	31 *December* 2021
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Received loans	7 339	1 291	692	**9 322**
Lease	302	(165)	536	**673**
Total liability from financing activity	**7 641**	**1 126**	**1 228**	**9 995**

33. RELATED PARTIES

The company's related parties are as follows:

Owners:

ABBEY CAPITAL PLTD	203269374	89%
Other non-related companies		7%
Physical persons		4%

Companies under common control:

Companies **under common control**	SEM HOLD PLTD	200445721
	CREMAX AUTO PLTD	202524683
	DELTA COM GROUP KDA	202035774
	DELTA COM HOLDING GROUP LTD	831671674
	A INVESTMENT PLTD	203704022
	THE CASE PLTD	204699553
	SV INVESTMENT LTD	204092165
	SANLEX 2012 PLTD	202160322
	B WORKS PLTD	11248077
	ABBEY CAPITAL PLTD	203269374
	FASTCOLLECT LTD	206338142
	GETCASH.BG LTD	202946574
	SMILE CREDIT LTD	202946528
	THE CASE 2019 PLTD	205576062
	THE CASE COMPANY PLTD	205661242
	THE CASE PROJECT PLTD	205661139
	THE CASE ART PLTD	205931766
	DELTA COM TRADING PLTD	130572691
	DELTA S – 2 PLTD	121416309
	DELTA-A PLTD	201892650

	THE CASE 2019 PLTD	205576062	Svetoslav Angelov – Manager
	SEM HOLD PLTD	200445721	Svetoslav Angelov – Manager
	A INVESTMENT PLTD	203704022	Svetoslav Angelov – Manager
	DELTA-A PLTD	201892650	Svetoslav Angelov – Manager
	THE CASE COMPANY PLTD	205661242	Svetoslav Angelov – Manager
	AXE CAPITAL LTD	204952152	Svetoslav Angelov – Manager
	SVS INVESTMENT JSC	204829192	Svetoslav Angelov – representative and BoD member
	CREMAX AUTO PLTD	202524683	Svetoslav Angelov – Manager
	KIZMETI JSC	201653351	Svetoslav Angelov – representative and BoD member. Yuriy Angelov is a BoD member
	REPUBLICA HOLDING JSC	121676036	Svetoslav Angelov and Yuriy Angelov – BoD members
	THE CASE PROJECT PLTD	205661139	Svetoslav Angelov – Manager
	SV INVESTMENT LTD	204092165	Svetoslav Angelov – Manager
	DELTA S – 2 PLTD	121416309	Yuriy Angelov is a manager
Companies in the **management of** which **persons managing the Company** or **owners** of the capital are involved	DELTA – U PLTD	201892611	Yuriy Angelov is a manager
	ARMSNAB JSC	121333685	Yuriy Angelov is a BoD member
	ABBEY CAPITAL PLTD	203269374	Svetoslav Yuriy Angelov is a manager
	THE CASE PLTD	204699553	Svetoslav Yuriy Angelov is a manager
	THE CASE ART PLTD	205931766	Svetoslav Yuriy Angelov is a manager
	SANLEX 2012	202160322	Svetoslav Yuriy Angelov is a manager
	DEVAWARE JSC (until October 2022)	205564302	Filip Dobrinov – representative and BoD member
	FATBOY LTD (until October 2022)	205318927	Filip Dobrinov – Manager
	FASTCOLLECT LTD	206338142	Svetoslav Angelov – Manager
	TERRA ALTERA PLTD	203269399	Donka Angelova – Manager
	GETCASH.BG LTD	202946574	Svetoslav Angelov is a manager
	SMILE CREDIT LTD	202946528	Svetoslav Angelov is a manager
	MGRID LTD (until October 2022)	206560602	Filip Dobrinov is a manager
	CROSSING POINT PLTD (until October 2022)	206485466	Filip Dobrinov is a manager
	DF PROPERTIES PLTD (until October 2022)	206613777	Filip Dobrinov is a manager
	BRIGHT SERVICES PLTD (until October 2022)	201289570	Emil Borisov Galabov is a manager
	BRIGHT TECHNOLOGIES PLTD (until October 2022)	200087473	Emil Borisov Galabov is a manager
	AXID LAB LTD (until October 2022)	205949287	Emil Borisov Galabov is a manager
	TRYJET LTD (until October 2022)	204630710	Emil Borisov Galabov is a manager
	INTRACALL INVESTMENTS LTD (until October 2022)	205856064	Emil Borisov Galabov is a manager
	TECHNOINVEST GROUP PSC(until October 2022)	203790683	Emil Borisov Galabov is a BoD member
	INTRACOL TECHNOLOGIES PSC (until October 2022)	203312224	Emil Borisov Galabov is a BoD member

Companies in the capital of which **persons managing the Company** or **owners** of the capital hold interest	ART MEDIA LTD	104693439	8,60%	Svetoslav Angelov – partner
	SEM HOLD PLTD	200445721	100%	Svetoslav Angelov – sole owner of the capital
	SIMBALI GROUP LTD	175043714	50,00%	Svetoslav Angelov – partner
	A INVESTMENT PLTD	203704022	100%	Svetoslav Angelov – sole owner of the capital
	B WORKS PLTD	131248077	100%	Svetoslav Angelov – sole owner of the capital
	DELTA COM HOLDING GROUP LTD	831671674	95,24%	Svetoslav Angelov – partner
			4,76%	Yuriy Angelov – partner
	DELTA-A PLTD	201892650	100%	Svetoslav Angelov – sole owner of the capital
	AXE CAPITAL LTD	204952152	50,00%	Svetoslav Angelov – partner
	EXCEPTIONAL TRIUMPH LTD	203509245	30,00%	Svetoslav Angelov – partner
	CREMAX AUTO PLTD	202524683	100%	Svetoslav Angelov – sole owner of the capital
	SV INVESTMENT LTD	204092165	50,00%	Svetoslav Angelov – partner
	DELTA – U PLTD	201892611	100%	Yuriy Angelov – sole owner of the capital

FATBOY LTD (until October 2022)	205318927	33.33%	Filip Dobrinov – partner
SVS INVESTMENT JSC	204829192	33.33%	Svetoslav Angelov – shareholder
TERRA ALTERA PLTD	203269399	100%	Donka Angelova – sole owner of the capital
SANLEX 2012 PLTD	202160322	100%	Svetoslav Angelov – sole owner of the capital
ABBEY CAPITAL PLTD	203269374	100%	Svetoslav Angelov – sole owner of the capital
THE CASE PLTD	204699553	100%	Svetoslav Angelov – sole owner of the capital
FASTCOLLECT LTD	206338142	100%	Svetoslav Angelov, indirectly 100%
REPUBLIC HOLDING JSC	121676036	9,47%	Yuriy Angelov is a shareholder
DELTA ENTERTAINMENT PLTD	131273507	100%	Donka Angelova is the sole owner of the capital
BRIGADA AND CO LTD	206182202	25%	Svetoslav Yuriy Angelov is a partner
MGRID LTD(until October 2022)	206560602	50%	Filip Dobrinov is a partner
CROSSING POINT PLTD (until October 2022)	206485466	100%	Filip Dobrinov is the sole owner of the capital
DF PROPERTIES PLTD (until October 2022)	121676036	100%	Filip Dobrinov – indirectly
GETCASH.BG LTD	202946574	100%	Svetoslav Angelov – indirectly
SMILE CREDIT LTD	202946528	100%	Svetoslav Angelov – indirectly
DELTA COM TRADING PLTD	130572691	95,24% 4,76%	Svetoslav Yuriy Angelov Yuriy Angelov Angelov
DELTA S – 2 PLTD	121416309	95,24% 4,76%	Svetoslav Yuriy Angelov Yuriy Angelov Angelov
THE CASE 2019 PLTD	205576062	100%	Svetoslav Yuriy Angelov
THE CASE ART PLTD	205931766	100%	Svetoslav Yuriy Angelov
THE CASE COMPANY PLTD	205661242	100%	Svetoslav Yuriy Angelov
THE CASE PROJECT PLTD	205661139	100%	Svetoslav Yuriy Angelov
BRIGHT SERVICES PLTD (until October 2022)	201289570	100%	Emil Borisov Galabov is the sole owner of the capital
BRIGHT TECHNOLOGIES PLTD (until October 2022)	200087473	100%	Emil Borisov Galabov is the sole owner of the capital
AXID LAB LTD (until October 2022)	205949287	33,33%	Emil Borisov Galabov is a partner, indirectly
INTRACALL INVESTMENTS LTD (until October 2022)	205856064	27,9%	Emil Borisov Galabov is a partner
TRYJET LTD (until October 2022)	204630710	33,33%	Emil Borisov Galabov is a partner, indirectly

- **Other:**

Key management staff of the company	Svetoslav Yuriy Angelov Yuriy Angelov Angelov Donka Ivanova Angelova	Executive director and BoD member Chairperson and BoD member BoD member

- **All employees under employment contracts**;

During the year, the company has had *transactions with the following related parties:*

	Type of relationship
Svetoslav Angelov	Shareholder, BoD member, executive director
Yuriy Angelov	BoD member
Filip Dobrinov (until October 2022)	Shareholder, BoD member, executive director (until October 2022)
Donka Angelova	BoD member
A Investment	Shareholder's ownership, key management staff

Republica Holding JSC	Minority ownership of a shareholder, key management staff
Devaware JSC(until October 2022)	Shareholder's ownership, key management staff
Fastcollect LTD	Shareholder's ownership, key management staff
Brigada and Co LTD	Shareholder's ownership, key management staff
Other related parties	Employees under employment contract

33.1. Receivables from related parties as at 31 December 2022

	31 December 2022 *BGN'000*	*31 December 2021* *BGN'000*
Receivables from other related parties		
Receivables from accountable persons – current	44	54
Receivables from granted loan to mother-company	93	-
Other current dealings with related parties	8	-
Total:	**145**	**54**

Loan agreement
Abbey Capital PLTD

Agreed amount:	BGN 93 thousand
Date of signing the agreement:	01/11/2022
Purpose of loans:	Working capital
Maturity date:	01/11/2023
Interest rate:	10%
Balance as at 31.12.2022:	principal – BGN 93 thousand;

33.2. Payables to related parties as at 31 December 2022

	2022 *BGN'000*	*2021* *BGN'000*
Payables to owners		
Distributed dividend	23	23
Payables to companies under common control		
Long-term:	**-**	***296***
Borrowings	-	296
Short-term:	***29***	***75***
Interest liabilities for funding of related party	-	36
Payables to related suppliers	29	39
Total	**52**	**394**

For the previous year:

Loan agreement
A Investment PLTD
UIC 203704022

Agreed amounts:	BGN 296 thousand
Date of signing the agreement:	18/09/2015
Purpose of loans:	Working capital
Maturity date:	31/12/2026
Interest rate:	3%
Balance as at 31.12.2021:	principal – BGN 296 thousand;
Balance as at 31.12.2020:	principal – BGN 296 thousand;

33.3. Related party transactions as at 31 December 2022

	2022 BGN'000	2021 BGN'000
Accounts with companies under common control		
Interest expenses	**84**	**9**
Services		
Brigada and Co LTD – advertising services	25	13
Republic Holding JSC – lease agreement, parking lot lease, services and overhead expenses under lease agreement	219	- 31
Republic Holding JSC – consulting services	17	30
Fastcollect LTD – out-of-court collection charges	9	5
Devaware JSC – technical maintenance (until October 2022)	34	58
Accounts related to key management staff		
Remunerations of the members of the BoD and executive directors	**488**	**508**

33.4 Transactions with a related party-shareholder and CEO until October 2022

In February 2022 the Company entered into a loan contract for the amount of BGN 420 thousand with a shareholder and an executive member of the Board of Directors until October 2022. During the current financial period, in accordance with an agreement between the above-mentioned parties, a compensatory interest amounting to BGN 6 thousand has been added to the loan amount together with other receivables of the person from ITF Group JSC for the sum of BGN 512 thousand, which are a principal and capitalised interest. The total amount of the receivables at the end of the period is BGN 938 thousand.

34. FINANCIAL RISK MANAGEMENT

Structure of financial assets and liabilities as at 31 December 2022 by categories:

	31 December 2022 BGN'000		31 December 2021 BGN'000
Loans and receivables, including			
Granted loans	16 235	17	10 589
Receivables from loans granted to related parties	145	33	54
Other receivables	178	19.20	361
Cash and cash equivalents	3 209	21	518
Total	**19 767**		**11 522**
Financial liabilities, including	**7 837**		**9 252**
Payables for bond issue	4 002	23	5 003
Payables to non-related parties	2 950	25, 30	3 061
Payables to related parties	52	33	390
Lease	755	24	673
Trade payables	78	26	125
Other financial liabilities	5 375	29, 30	877
Total	**13 212**		**10 129**

In the course of its usual business, the company may be exposed to different financial risks, the major of which comprise: market risk (including currency risk, risk of change of fair value, and price risk), credit risk, liquidity risk, and risk of interest-bound cash flows.

The general risk management focuses on the difficulties to make forecasts for the financial markets and to achieve minimum potential adverse effects that might affect the company's financial performance and position. The financial risks are identified, measured and monitored on an ongoing basis by means of various controls, in order to determine adequate prices of company's products, to adequately evaluate the forms of maintaining free liquid funds, not allowing unreasonable concentration of a particular risk.

Risks are managed on an ongoing basis under the direct supervision of the Board of Directors and the financial officers of the Company.

The different types of risks the company is exposed to while performing its business operations, as well as the approach adopted for the management of these risks are summarised below.

□. Market risks

The company is not exposed to market risk where the fair value or the future cash flows of financial instruments may vary due to changes in market prices.

Currency risk

The company is not exposed to currency risk since foreign currency payments to suppliers are settled in euro the exchange rate of which is fixed.

B. Credit risk

The credit risk is the risk of company's customers not being able to pay their outstanding amounts in full or within the usually fixed deadlines.
The major principles of the company's credit risk management are set out in its credit policy and the related procedures. They are subject to analysis on an ongoing basis and are applied or modified as necessary. The Board of Directors is the major unit that determines and/or changes the policy.

The Board of Directors defines and approves the risk profile of the new credit products and the introduction of parameters used for potential customer assessment for determining the probability of loan repayment by the customer.

Due to the extensive and ever growing number of borrowers, the credit risk management is connected to grouping the customers on the basis of criteria connected to the individual borrower, the group of borrowers, the geographic unit and other criteria for portfolio diversification. Each client is grouped into a certain category for risk estimate on the basis of the above-mentioned criteria, and certain credit limits apply to each category.

Three major components are considered when measuring the credit risk:

- the probability of a customer's failure to fulfil their obligations under the agreed parameters, based on historic data (for traditional customers - borrowers)
- the current exposure to the customer and its probable future development giving rise to a possible failure to perform their obligations;
- the possible percentage of recovery of outstanding obligations;

In addition to the above three major components, the Board of Directors monitors an average ratio of outstanding loans determined on the basis of historic data since the establishment of the company until today, with regard to the different groups of loans (loan to salary, loan by instalments).

The maximum exposure to credit risks by items of the statement of financial position is as follows:

	31 December 2022 BGN'000	31 December 2021 BGN'000
Cash and cash equivalents	3 209	518
Granted loans to customers	16 235	10 589
Other current assets	323	415
	19 767	**11 522**

The company's management believes that all financial assets mentioned above that have not been impaired or have matured during the presented reporting periods, are financial assets with good credit rating.
The credit risk in terms of cash and cash equivalents is considered minor, since our counterparties are reputable banks with high external credit rating.

The Company regularly monitors the performance of the obligations of its customers and other counterparties identified on an individual basis or as a group, and uses this information to control the credit risk.
Furthermore, the Company is committed to be socially responsible and to give its customers the opportunity to successfully cope with their financial obligations. To this end, the Company has designed a liability renegotiation policy, which allows deferment of current liabilities within reasonable time periods. The Company regularly observes the impact of the renegotiation policy and monitors customers with renegotiated loans on an individual basis.

B. Liquidity risk

Liquidity risk is the negative situation in which the company would not be able to unconditionally meet its liabilities according to their maturity. The financial director monitors the maturity and the timely settlement of payments on an ongoing basis. There is daily information about available cash flows and forthcoming payments.

The company meets its needs of liquid funds by carefully monitoring the payments of its financial liabilities, as well as the cash inflows and outflows occurring in the course of its operating activity. The needs for liquid funds are monitored for different time periods – on a daily basis, on a weekly basis, as well as on the basis of 30 days' forecasts. The needs for liquid funds in a long-term aspect for periods of 180 and 360 days are determined on a monthly basis.

For the purposes of the liquidity risk assessment and management, the Company takes into account the expected cash flows from financial instruments, in particular, the available cash and short-term receivables from customers. The available cash and short-term receivables from customers do not exceed the current needs for cash outflow.

The deterioration of the economic conditions due to the Covid-19 pandemic and the events during the period, connected to the military conflict on the territory of the Ukraine, result in a decrease of households' income and in difficulties to settle their financial obligations on an ongoing basis. For the purposes of maintaining reasonable liquidity levels and in order to avoid situations in which the Company's receivables collection rate would significantly decrease, the Company monitors the liquidity on a daily basis and maintains reasonable levels of cash, enabling it to cover its operating liabilities on an ongoing basis.

The Company has designed appropriate procedures for collection of receivables and monitors early indicators allowing for the precise forecast of future cash inflows.

The funds for long-term liquidity needs are ensured through borrowings and cash from the company's operating activity.

As at 31 December 2022, the maturities of the Company's contractual obligations (comprising interest payments, if applicable), are summarised as follows:

31 December 2022	Less than 6 months BGN'000	From 6 to 12 months BGN'000	From 1 to 5 years BGN'000
Related parties	52	-	-
Borrowing payables	-	738	2 212
Lease payables	133	134	488
Bond issue payables	550	500	2 952
Accounts payable	78	-	-
Other payables	34	5 341	-
TOTAL	**847**	**6 713**	**5 652**

Risk of change in interest rates

The cash flows related to the risk of change in interest rates determine the risk where future cash flows from financial assets would vary due to a change of interest rate market levels. In terms of the company, this risk is controlled due to the maintained higher prices of granted loan resources typical for this kind of crediting to natural persons. The company does not implement a policy of floating interest rates when obtaining and granting loans.

D. Capital risk management

The purpose of the company's capital management is to establish and maintain opportunities to continue operating as a going concern in order to ensure the required return of the owner's investments in its business, as well as to maintain an optimal capital structure in order to reduce capital costs.

The company monitors the capital availability and structure on an ongoing basis by observing a debt ratio, being the ratio between net debt (the difference between borrowings and cash) and the total capital of the Company.
The debt ratio is summarised below by years:

	31 December 2022 BGN'000	31 December 2021 BGN'000
Total debt capital	13 575	10 129
Less cash and cash equivalents	(3 209)	(518)
Net debt capital	10 366	9 611
Total equity	8 160	2 980
Debt ratio	**3.22**	**3.22**

35. FAIR VALUES

The financial assets held by the company are mainly short-term loan receivables and cash in current bank accounts; therefore, it is assumed that their carrying amount is approximately equal to their fair value.

The financial liabilities held by the company are mainly of long-term nature and comprise issued bonds, accounts payable and borrowing liabilities; therefore, it is assumed that their carrying amount is equal to their fair value.

The company's management believes that under the existing circumstances, the measurements of financial assets and liabilities as stated in the statement of financial position are as reliable, adequate and fair as possible for financial reporting purposes.

36. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The company has granted collaterals in the form of a pledge on its own receivables and has received collateral comprising real estate of related and third parties (see annex 23).
The Company is a guarantor under the office lease agreement with Republic Holding JSC for a period of five years and reports blocked cash for issued performance bank guarantee under office lease agreement. Unicredit Bulbank JSC is a guarantor under the bank guarantee. The bank guarantee is valid until 07.08.2023 (see annex 21). The Company has issued a guarantee to the National Social Security Institute in connection to a contract for personal data management (see annex 21).

The Company is a co-debtor in a framework contract for a loan from September 2022. The deadline for the payment of all due amounts is September 2032. In compliance with the Financial Collateral Agreements Act a receivables pledge for the amount of BGN 2 500 thousand has been set up as a collateral for the framework contract The obligation of the debtor at the end of the accounting period amounts to BGN 2 483 thousand.

During the year, minor legal claims to the amount of BGN 24 thousand were brought against the Company. The Company's management believes that the claims are unreasonable and the probability for them to result in settlement costs for the Company is low. This judgment of the management is supported by the opinion of an independent legal adviser.

Tax payables

The last tax audits of the Company were performed by the tax authorities as follows:

- Corporate tax – until 31 December 2018;
- Social security – October 2012 – March 2020;
- Observance of the labour and social security regulations – 01.01.2020 – 31.12.2022.

37. EVENTS AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENTS

No adjusting events or significant non-adjusting events have occurred between the date of the annual financial statements and the date of authorisation of its publication.

38. APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The financial statements as at 31 December 2022 (including the comparative information thereto) are approved for publication by the Board of Directors on 31 March 2023.